Q1 2024 Earnings Call

Company Participants

- Fernando Solis Soberon, Managing Director of Product & Segment Development
- GFNOREO
- Jose Marcos Ramirez Miguel, Chief Executive Officer
- Rafael Arana de la Garza, Chief Operating Officer & Chief Financial Officer
- Tomas Lozano Derbez, Head of Corporate Development, IR, Financial Intelligence, M&A and Sustainability
- Unidentified Speaker

Other Participants

- Analyst
- Andres Soto, Santander
- Carlos Gomez-Lopez, HSBC
- Nicolas Riva, Bank of America
- Renato Meloni, Autonomous
- Tejkiran Kannaluri, WhiteOak Capital
- Thiago Batista, UBS
- Yuri Fernandes, JP Morgan

Presentation

Tomas Lozano Derbez {BIO 20398814 <GO>}

Good morning, I'm Tomas Lozano, Head of Corporate Development, Investor Relations and ESG Welcome to Grupo Financiero's Banorte First Quarter Earnings Call. I would like to start by thanking our investors for their feedback throughout the year, which has helped us to consistently improve our recently launched 2023 Annual Report. This year, we added a supporting document which will help you to measure the group's progress across the main financial and non-financial indicators. We will begin today's presentation with our CEO, Marco Ramirez, who will provide a brief context of the macroeconomic environment that contributed to the results of the quarter, followed by the main results of the bank and the subsidiaries, including Rappi and Bineo, ending with an update on sustainability.

Then, Rafael Arana, our COO, will provide details on the NIM evolution, the continued efforts to reduce balance sheet sensitivity, as well as a positive result regarding asset quality and efficiency for the group, among other relevant updates. Please note that today's presentation may include forward-looking statements that are subject to risk 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.

Jose Marcos Ramirez Miguel {BIO 17012786 <GO>}

Thank you, Tomas. Good morning, and thank you for joining us today overall dynamics in our core businesses and solid performance across all the subsidiaries. Well, within the guidance ranges that we announced at the beginning of the year.

Despite a more cautious business environment brought by the electoral periods in Mexico and the US., we see a good economic momentum driven by domestic demand. Investments are still supported by ongoing government spending and private investment related to mutual, whereas high frequency data for private consumption show a dynamic economy in the first quarter of the year, supported by remittances still at historical highs, better employment figures and a dynamic lending activity. Under these conditions, we hold a positive view of the Mexican economy, maintaining our GDP growth expectation for the year at 2.4%, with a stronger first half of the year, followed by a softer second semester with some headwinds, such a lower government spending and potentially weaker external demand from a deceleration in the global economy.

Annual headline inflation continues to show a moderate decline, despite a still challenging price output. Our year-end forecast for inflation stands at 4.3%, still far from the central bank's target of 3%. So we expect tight monetary conditions for the rest of 2024. As widely anticipated, the Mexican central bank carried out its first 25 reference rate cut in March, reaching 11%.

We anticipate a pause in rate cuts in the following medium, resuming with more traction towards the second half of 2024. However, given the Fed's less restrictive narrative and the foreign dynamics of inflation, we are increasing our year-end reference rate expectation to 10% before we have 9.25%. Regarding the Mexican peso, it is expected to remain strong, at least in the first half of 2024, followed by some volatility as we approach the US Election in November, reaching close to PHP17.7 per dollar by year-end. Moving to the business operations, Slide number 3.

Metrics evolve in line with our expectation for the quarter. Our balance sheet sensitivity continues its downward trend, reaching PHP375 million pesos in NII reduction for every 100 basis point change in the reference rate, down from PHP582 million last quarter. Net risks show a positive evolution, driven by an expanding loan portfolio and a strong internal demand, despite the higher seasonal activity during the fourth quarter. Asset quality is consistently evolving ahead of expectations expectations and internal capital innovations remains strong, ending the quarter at 21.3%.

Profitability, Slide number 4, shows a solid 9% sequential increase in the net income, amounting to $14.2 billion. ROE improved 134 basis points in the quarter, driven by solid performance across most business lines, especially the insurance company, which had its seasonal premium renewals during the quarter, also supporting a strong return on assets evolution. Analyzing the quarterly results by subsidiary, Slide number 5, we see a solid 26.4% ROE for the bank, despite some seasonal headwinds, which were offset by lower expenses in the quarter. The insurance company had sound business fundamentals along the positive effect of seasonal premiums renewals during the first quarter of the year.

The amicus business decreased in the quarter, giving higher technical reserves. As for the aforementioned, the sequential decline is explained by lower yield on financial problems. Loan portfolio, Slide number 6, continues to accelerate with a disciplined focus on asset quality and a diligent balance of lending activity with funding costs. Loan expansion displayed double digital growth across most of the portfolios.

Corporate and commercial loans continue to benefit from reassuring gradual materialization, driving loan demand for small and mid-sized enterprises. Nevertheless, FX variations have impacted the dollar loan book, currently representing around 12% of our loan total portfolio. The government book displayed a mild reduction in the year, and we are anticipating this portfolio to remain flat for the remainder of 2024. The consumer book, Slide number 7, remains the fastest-growing segment within our portfolio, reflecting our strategic approach to optimize the customer lifetime value of high-value customers.

The year-over-year evolution of heavy cars has been driven by good consumption dynamics and further boosted by the adoption of our self-service offerings, despite being sequentially affected by seasonal factors in transaction volumes. Federal loans are performing as expected, with a more prudent approach as we get closer to a new government administration. Lastly, car loans continue to benefit from our commercial alliances, different dealerships, and positive dynamics in the sector overall. Slide number 8 this is the result of an intensified risk-oriented orientation process that started in the second half of 2023 and continues as our top priority.

The quarter increase in the cost of risk is a natural result of our orientation volume and needs, together with the normalization effect from the reserves released from last quarter, as well as the incorporation of Tarjetas del Futuro, which is Rappi, into our credit card portfolio as the intrinsic risk of this product naturally requires higher reserves. On a separate note, I would like to comment on how Van Norte is dealing with customer centricity and customer metrics. Our main difference is our culture. We have over 2,000 working cells, which warranty that whenever we acknowledge that our service or products are not complying with our customers' expectations or that one of our competitors is doing something better than us, we can quickly react, adapt, and execute.

This is not only reflected in our overall NPS, but on the performance of our channel, which continues to have an upward trend. Before moving into a group operation with GFNorte, let me give you an update on the first two months of operation of DINEO, our newly launched digital bank. During this period, we have been working on their app, what you could call friends and family in the upper market mode, focusing on learning more about our customers' behavior and profiles, fine tuning our platform, launching new and improved versions of our app, and stabilizing our production environments as we gradually gain scale. We are working on our product and service deployment strategy for the second half of the year.

We expect to bring to the market a rapid rollout of innovative financial products and services and fulfill our aspiration of providing a comprehensive value proposition, a one-stop shop for all our clients' financial needs regarding rapid evolution, we are now operating with the proper risk metrics in place. We are taking us. Into our site, which are taking us. To the desired direction, we are presenting positive unit economics and are getting closer to break even within the following months.

I will go into more detail in this later in this presentation. Finally, on the sustainability front, we are happy to announce the successful issuance of our 1st sustainable bond in February. A relevant milestone for the bank, which will form important green and social projects. For many of our clients, moreover, at the end of March.

We publish our 2023 integrated report. Which showcases the result of our medium term strategic plan. And thanks to valuable feedback from our investors and other stakeholders. We incorporate more disclosure regarding environmental, social and diversity metrics to name a few.

This time, you also publish a historical database that will help measure progress across our main financial and non financial indicators. Now, I will leave you with Rafael Arana who will walk you through our main financial indicators for the quarter. For the days, our balance sheets and security reduction. And next steps for our details that the --

Rafael Arana de la Garza {BIO 22681143 <GO>}

Well, thank you.

Thank you very much. Good morning to all. As Mark was mentioned, the first quarter started. With momentum, we really, really anticipated the beginning, a slow beginning of the year.

I think we. We were quite surprised by by continuous strong momentum in most of the business of. Of the group, and I would like to go in in more detail in that, as you can see on the. On the slide that the return on equity of the group continues to grow.

A very strong pace 134 basis points quarter-on-quarter. Now, we are reaching about their, our initial guidance and what's. Goes to the 22%, we are at 22.2%. And the bank, even though you see a reduction on.

On on a quarter to quarter basis, 0.7 basis points continues to be very strong. And this is also due because of the buildup of the capital at the bank. That has been as always at a very, very strong base. I will go into more detail on the transformation of because.

As we have met with many of you, you were concerned about. What was the strategy of not being was not taken into consideration. The, the evolution of the, of the, of the new thing takes new banks are coming into the marketplace. And you will see that Banorte was very serious addressing that issue since 2018.

I will be going into much more detail in a minute. The net interest margin of the group continues to grow to 6.5%, 1 basis point on a quarter basis and the bank 6.4%, you see a reduction on a quarterly basis. That's based on two things. You see a very large inflow in the four quarter of very low cost demand deposits that really help us to push the margin up.

Now that we entered the normal cycle of the year, as you know the first three months of the year, usually we see an outflow of those big inflow of deposits that come on at the end of the year. But you will see in a minute in a graph really starting now to push the cost of funds slowly, but surely to the desired numbers that we would like to develop. You remember that by the end of the year, we have a strong reduction on the funding costs that really pushed the margin for the bank up. Now you see that margin was, I would say, affected by this additional growth on the book -- on the loan book, and also the funding costs that usually grows in the first three months of the year.

I will go in detail in a minute. Expenses, we advise you that expenses was going to be a very important point of control for us. Cost income ratio is below 34%, it's 33.99%, 49 basis points compared to on a year-to-year basis. You remember that we anticipate an important part of expenses in the HR side, and also in the amortization and depreciation for the group at the end of the last year.

But also the evolution of our shared service and centralized operations initiative is already bringing good results from this. So I think the first part of the year, the first quarter of the year was also benefit by a strong insurance growth. As you see that usually the evolution on the first quarter of the year, the insurance business basically broke most of the premiums for the years, and then they grow through the years. This year, there's a difference on also why the number is so.

So I would say it's a normal number because last year we split the first quarter with the first quarter with the two quarters, the big volume of the high premiums that we built through the years. This year is a normalization of that, that moves everything to the first quarter. So that shows you a very big, I would say jump on the revenues of the insurance business. But it's fair to say that the insurance business is in full recovery, growing at a very good pace and also looking at a lot of initiatives to keep increasing and growing the business.

So capital continues to be, as we mentioned, fast paced on the growth side. The total capital adequacy ratio is 21.3% and the quarter one is 15.5%. This has to do also with the slight reduction that you have saw on the return on equity of the bank based upon the high build-up of capital at the bank level. If I now move to the end and net interest and non-interest income growth.

Net interest, NII on a quarter-to-quarter basis grew 2% and 10% on a year-to-year basis. If we go just only for the loan deposits growth, it was 1% growth on a quarter-to-quarter basis. This is also important because we are facing, as we have mentioned to many of you, an equilibrium with the funding costs and the pace of growth on the asset side. So I think we are reaching that point where we can continue to grow the loan book with a very, I would say, not conservative with the word, but very aligned funding costs with the asset growth.

So NII continues to expand. Also the loans to deposit are at a lower pace. And this also has to do that 82% of the loan book on the commercial and corporate side is in the variable rate part. So since the rate has paused for many months now, the variable rate part of the book has stayed put.

And the fixed rate part of the book just barely are getting the last reduction on the rates, the 25 basis points that would be fully addressed in the second quarter. So I think to have an expansion on the NII based upon those considerations, I think is positive for us on that point. If I move now to the core banking fees that Marcos also mentioned, the bank continues to be at a very active pace on all that is related on all that is related to services and fees, opening of accounts, the opening of accounts has accelerated on a very important way, both in the digital channels and also in the branches in the physical channels. As you know the balances coming from the branches are a much higher number than the ones that are coming from the digital, but the digital is allowing us to also incorporate clients that in the past was difficult for the bank to address those clients because of the profitability that was needed for us to really address those clients.

So core banking fees continue to be a good story, 14% year on year, mobile, POS, merchant business, everything at the bank level is actively transactional banking, cash management, everything related to the commercial corporate government is providing a continuous source of growth for the net fees. If I now move to a specific metrics there of Banorte, Banorte net income grew 2% quarter on quarter and on a year to year basis, also 2%. The return on equity is 26.4%, as I told you before, and the ROA is at 2.4%. The net income of the bank, as I mentioned, reached the PHP10.47 billion.

And we see a steady numbers coming to the ROA and the return on equity of the bank as the bank starts to move also part of the capital to the group in order to prepare for the dividend outflow, you will continue to see on the return on equity of the bank aligned with an increased profitability of the operation of the bank. We already addressed the part of the opening, that 6.4, the 6.4, as you know we are basically facing not a liquidity issue in the market because we have enough liquidity, but the funding costs continues to be there. And since the fact of the variable rate part of the book and the very important growth that we have on the fixed rate part of the book to prepare the balance sheet for the downward trend on the rates is taking us around the 6.4, that is perfectly aligned of what we guide you at the beginning of the year. And we continue to see a slight evolution on the funding costs that will continue through the year and that will allow us to keep the margin on the numbers that we guide you at the beginning of the year so the name is in the right place.

These are growing nicely on that part in help also by the insurance business is giving us a pretty good start of the year. If I move now to the next one that I think is we need to. To try to explain what is going on on the funding costs, as you see, at a drop at the, at the end of the year, that was a large inflow. That basically comes with a -- with the bonuses that has to be paid for the payroll goals that we, that we serve.

But the important thing is that the slight reduction that you see. On the 47.9%, that is really did now trending in the right direction. After the seasonality of the margin flow of the deposits. But also it's important to notice that the high cost of funds.

Diminish from 158 million in the fourth quarter of '23 to 153 million in the first quarter of '24. And you will continue to see that evolution of. Really releasing the high cost from that that we needed to support. The high growth of the, of the balance sheet last last year.

If I now move to the asset quality. And I think that we'll start to also make the separation of. What's the normal trend with the bank and what's the. Incorporation of that we.

Now, to control in the month of November. Ready the cost of risk continue to be. Very solid, very, very solid numbers that you can see. The cost of risk was 1.84 at the end of the first quarter of '24.

But if you take away the tool that is. Really 1.71. That is a very, very strong number and you see. How steady that that evolution on the cost of risk is.

That doesn't mean that that is not being addressed now fully that we have control of the. Of the operation to change all the necessary measures to continue. To lower the cost of risk if you see the of the is around 4.8. Because the cost of risk.

Continues to be high and we need to train that that funding costs. To our number very close to the 12% right now, what you see is. A very accelerated write off in order to clean up the book that was part of why we. To control of that, because we can see that we have a very reasonable market a reasonable market fit with the clients that we would like to put on the book.

So, now we know how to grow in that business, how to make that business break even, as Marcos mentioned, in the following months, and what's the potential size of the business in order for us to address that market that is completely different from the market that usually Banoto serves. If I move to the write-off rate, you see the write-off rate steady at 0.45, it will take away Tarjeta del Futuro, so we continue to see very good numbers. As Marcos mentioned, an NPL that is below 1%, 0.9%, and if you take away Tarjeta del Futuro below nine, so we continue to see very solid numbers coming from the risk portfolio. And that has to do with the strategy that we really like to keep the health of the book as we have been keeping for the last years.

As we mentioned, we are not chasing market shares. Last year, we outpaced the market in most of the products on a year-to-year basis, but at the same time, we were able to do so with very, very strong risk numbers. And that's the way we will continue to grow. If we like the risk, we will grow.

If we don't like the risk, we will not address the growth on that part. That has been positive for Banorte for many years, and it has to do a lot of how the risk unit works with the commercial units and with the recovery. So now, if I move, some of you have some questions about the net interest income evolution and how we prepare the balance sheet on this part. Now, the balance sheet, we have a graph that shows the local sensitivity against the NII on pesos and the dollar group.

And you see that for the group, the sensitivity has gone down to 0.2%, 0.3% for the bank, coming down from 0.7%. And you can see that some people could say that we anticipate too much the decrease in the rates, but I think that's a prudent way to address the way we see the market. The 25 basis points was really something that we anticipated. Now, we see a slower trend on the downward trend of the rates, but we will continue to see a reduction in the rates in the coming months.

And the PHP2 billion that we used last year to really put the balance sheet put the balance sheet in the way that we like the balance sheet to be, now we will start to recover as our rates start to go down. Another important part that we didn't mention on this, that has to do in a way with how the balance sheet is prepared and how the balance sheet is affected, is that because of the strong currency that we have been facing in Mexico, that has also affected us around $656 million because of the strength of the currency. We now see a more reasonable trend on the currency, so that also will ease that part of the effect that we have on the margin. So, we have a balance sheet that is very strong on solvency and liquidity, very strong growth on the capital numbers, very well prepared for the downward trend.

Obviously, that in a way put pressure on the margin on a temporary basis, but we'll fully recover when the downward trend starts, stabilizes. So, if we now move to the expense and the cost income ratio, the expenses for the quarter were down 14 percentage points based upon all that we anticipated at the end of the year. And the expense including RAPI and BINEO is 13%. If you exclude those two, you barely reach the 8% year-on-year for the bank.

So we will continue to push the numbers below the 13% on the cost basis based upon the shares service initiatives. And you can see that it was a very strong number to be below the 34% cost income ratio. And it's based upon all the initiatives that we are taking and also that the revenue growth was a little above 14%. I would say that if I go to a graph that some of you has instructed to show the market, you see that the historical expense by category has been very positive.

You see the graph on the left that we have gone down from 70% to expenses to net income to 46 expenses to net income. And when you strip those on where we are putting the expenses, we basically are putting where we produce revenue on the HR side and also on the IT side that allow us to serve the client better and also to reduce the operating costs and also the administrative costs. to the administrative cost that you have dropped in a very important way through the years. The graph on the year show on a different view that you see IT grow 3.4x compared to the net income.

You see that net income has grown three times since 2016. So some people say, well, you are investing a lot in technology. Yes, because that's the way that we see the business. We see the business, an analytical driven business, a technology driven business.

And also when people are concerned about how advanced Banorte is on their artificial intelligence, we have to remember the market that referred the first one along with eight other banks in many parts of the world that we embark on the Watson adventure. Watson has been a learning process for us, but now it's fully embedded on the mobile application, on the transaction driven parts and many initiatives with Microsoft, with Google that allow us to really be on the forefront of the users of artificial intelligence. Analytics has been heavy users of artificial intelligence, risk has been heavy users of those for many years. And we will continue to be on the forefront of that because we will see a lot of advantage because all that we are doing in the hyper personalization move that will really address on a client by client basis, everything is based upon artificial intelligence.

So we see a pretty good trend on the cost basis. We know that HR spike because we needed bankers to serve the near shore initiatives and also the kind of growth that we have on the SME side. But this blue line that spiked to 1.9 is producing strong revenue already as you saw on the numbers. Now I move into the capital ratios, the capital ratios for the bank.

Now it's a 15.5% before Tier 1, 21.3% total cap well above the key life requirements. Liquidity is 178%. We know that liquidity so high cost of some on the margin, but we like to be prudent about this. So strong capital growth, strong numbers on the risk side, reasonable growth on a year to year basis and reasonable growth on sustaining the margin.

And also the most important thing is that we are growing with a very, very good credit quality. So I will now -- we'll address some of the issues that you just that you also consider every year what will not be the dividend policy. The dividend policy last year was 83% of net incomes. This year we will go to the board and ask for to continue on the policy that we have from 16% to 50%.

We will ask for the 50% dividend retribution to our shareholders. And as we succeed through the year, as Michael also mentioned, we'll see the potential additional dividend by the fourth quarter of the year in order to emulate what happened last year because we will continue to see very good growth on the capital. Now I would like to address those concerns that people, the first one was that Banorte was not fully addressing the evolution of the new entrance in the financial markets. The second one was, if it's not going to be a confusion about Bineo, Rappi and Banorte.

And let me go back to 2018. That's what the decision were made about to have three different strategies to really face what was going in the market. And when you take this path, that doesn't mean that you're going to be perfectly, exactly what you want those initiatives to be. But the most important thing is what you learn from those initiatives and how those initiatives allows you to be a much better fit on the market based upon the new evolutions that we see on that space.

So, the strategic initiatives in 18 was basically to link with a company that was not a financial company, that was very, very useful, especially for the young people and was very easy for them to use. And they were very pleased with the application that was the Rappi Venture, that we defined with them on a 50-50 base to grow a great car business, very similar in some parts, not exactly, but in some parts of what Nubank was really trying to bring into the Mexican market. And what we learn about new coming from the learning process in Brazil. So basically, the Rappi initiative that is in the midst part of the graph has been evolving.

I would say in an evolution of a high growth business, because basically you are addressing clients that were not banking clients, that were new to the bank, that were jumping into the trade cycle. And we experienced a very high growth at the beginning so we defined that was another strategy that we might need to grow. The risk people from Banorte start to take control. We changed the CEO, the head of analytics for Banorte was sent to run the CEO of Rappi.

And now after the control that we pay in November to have full control of the operation, we now see that we are very comfortable to reach the breakeven point on a monthly basis in the next two months. And also the most important part that based upon analytics and a very aggressive segmentation on a very detailed basis, we now understand which clients to put on the book and which clients would be profitable for us. And we could really grow with them and have a reasonable return from the relationship with them. So Rappi now is reaching a breakeven point on a monthly basis without good market fee.

NPS is very high, is even higher than what you find in the market. And also the usage of the card now is very, very satisfying for the clients. It's very easy for the clients to use the card. The app is very convenient, NPS is quite high.

So I think we now understand the market, we know how to manage the market, we know how to manage the company and how to make that company profitable. The second initiative was to really accelerate the full transformation of Banorte to become a digital bank with branches that I think we are in a very good trend. Last year, World Finance recognized that Banorte has the best digital app in the market and also that Banorte was the best digital banking in the market. So now the model that we have that Banorte is a bank in minutes is based upon all the digital process that we have put all through the bank, in the commercial side, corporate side and also on the retail side.

And you will continue to see a very strong evolution on the digital participation of every single part of the bank will move into that. And we will continue to have our branches because our branches continue to be a very important source of cheap funding for us. And also on the nearshoring part, the presence is needed. So we will continue to open 45 branches this year that is already put on the cost base that we anticipate to use.

The last one is Bineo. Bineo, the idea of Bineo was, we know that the rebuttal for the banks the banks in the near future will be cost, analytics, technology, and how can you really deal with a client based upon all those three. Okay, so we needed to have the experience and also to really try to move into a full digital bank. We know that the onboarding process on the digital side on Banorte is very cheap, very, very low cost when you strip all the cost of the structural cost.

So, we needed to transform that into a new operation. That was the idea of Bineo. And Bineo will be a full retail bank, a full value proposition from checking accounts, debit accounts, everything will be on digital, and also up to mortgages, wealth management products, that you will see that evolution through the year. The most important thing about also of Bineo is that when we decide that Bineo will have a shared services on the back offices and operations and things in order to lower the cost more, but on the servicing side and also on the technology side, we will also implement the new technology that was basically cloud-driven since the beginning.

The evolution from the traditional banks to the cloud, you need to move from on-premises to the cloud, so that duplicated cost. So, we needed to have a full digital bank that was cloud-driven since the beginning and see how the evolution on the cost base could be that eventually that will allow us to move part of the technology that we have on the traditional bank to a much more costly, less costly technology-driven platforms. So that's also a very important part of Bineo. So Bineo has many strategic initiatives for us.

First, to have a full value proposition on the retail offering on a digital base, a low-cost base, because we need to achieve 20% cost-income ratio in this platform. And as Marcos mentioned, we need to put this bank in break-even in three years. So the value proposition that you see on the market right now is very limited because we are on a friend and family base and testing the frontiers that we could have on the evolution of the technology on that part. But now that you will see as the year goes by, a full value proposition will be in place with the traditional values of Banotech, customer centricity, personalization, low cost to operate, and high NPS for the market.

So with this, I conclude my remarks and I move into the I move into Q&A

Questions And Answers

Operator

Question And Answer

Thank you, Rafael. Now we will continue with our Q&A session. Always, we kindly ask you to present only your most relevant question, and we will be happy to take any other questions anytime after the call. Questions will be ordered on a first-come, first-served basis.

Please raise your hand on the platform, and we will unmute you when your turn comes. Jose Luis and myself will be calling the name of the person that is next on the line. If there are any technical difficulties, please let us know by using the chat. Thank you.

We're now ready to start the Q&A session. We'll take the first question from Yuri Fernandez from JP Morgan. Yuri, please go ahead.

Q - Yuri Fernandes

Hi all.

Thank you very much, and congrats on the quarter. I will stay with Bineo, if I may have, I understood you are still on friends and family here. The numbers are still low, right, on deposits, on loans. So my question to you is if you can share any metric on deposits, loan, number of clients, anything that we could see maybe one year from now, and I understand from past meetings with you that you should not overpay on deposits or be super aggressive on those kind of things.

So if you can also give us a little bit of a bit on the strategy for Bineo, and what would you say to investors that think maybe this will be a lot of investments for -- a lot of uncertainty on returns. What would you tell those investors? Thank you very much.

A - Jose Marcos Ramirez Miguel {BIO 17012786 <GO>}

-- Like, we believe in Bineo. I don't know, can help on cost efficiency in the future on the Bineo platform will address in this value proposition that I mentioned to you.

I think we can achieve that based upon what we saw on the when we launched the positioning campaign because it was not a campaign really to address any value propositions. If you saw the campaign, it was basically the position in the brand. The brand has been well positioned now. Now we have to put content on the brand on that part.

And I think that's the number that you can see, and you will see that the evolution based upon the shared services philosophy that we have, we have a huge advantage because we will be sharing the cost base of Banorte with the scale that we have on Banorte cost base with Bineo and also with Rapid, not just with Bineo, with Rapid, and that will be a huge advantage to accelerate the reduction in the cost income ratio. But the numbers that you should see is what you are looking is not what Bineo. What you are looking at this point in time is an initial launch on a very friends and family initiative that needs to be strengthened a lot in the coming months. You will see a full value proposition by the end of the year, and on a month-by-month basis, you will continue that evolution.

But a number around 0.5 million clients is possible to have at the end of the first year.

Q - Analyst

Thank you, Rafa. Good luck with that and congrats again for the quarter.

A - Rafael Arana de la Garza {BIO 22681143 <GO>}

Thank you, Yuri.

A - Unidentified Speaker

We'll now go with Thiago Batista from UBS Thiago, go ahead.

Q - Thiago Batista {BIO 15398695 <GO>}

Thanks, Tomas. Thanks, Jose Marcos, Rafa. My question is on the funding costs.

There's a lot of new players in Mexico that are paying a very high yield, up to 15% per year, versus, let's say, 5%-6% of Banorte or the other regional banks. I know that those guys are still very small, but do you see a risk of higher deposits, higher cost of deposits over time for Banorte? And just to follow up on your questions, will Bineo also try to attract clients paying those, let's say, very high yield on the deposits?

A - Unidentified Speaker

Yes. Thank you for your question, Teo. Yes, there are not a lot of competitors, especially FIBCAD First, it's not a bank.

That's the first difference. We're a bank and we have different rules and different things of doing things, no? But, Rafa, please, what's your -- Yes, Teo, I think, and this is also to complement what you're saying, complement what you mentioned. We don't follow that. We didn't follow that.

Other banks didn't follow on that because we are based upon relationship. We are not based on a transactional base with the clients. If we were based upon a transactional base, I think we could really raise the cost and fill up the clients. And just give me an example about that.

When we launched Rappi, and that has to do also with the question, and I will combine, Yuri, and your question is, we grew a 1 million cars on a year basis. I mean, to grow fast in that market is easy. It's very easy. To be profitable and really deal with the client in the way that you have to deal to a client.

Not to push very high interest rates to try to really extract all the value from the client no matter what is going to happen for the client after three or four months. I think that's not our strategy. So the funding cost has to be related to the service that you provide on a relationship basis. And that's the way we compete.

That's the way we compete in the market. And when we showed that initial figure on the slide, that you see a slight downward trend on the funding cost, because it was a big drop at the end of the year, that offer was already on the market. So I think some people will choose to go and test the 15% or whatever, but most of the people will stay on a relationship base. Because remember that we see the client on a lifetime basis.

We don't price the product based upon the product by the client. We really price the relationship based upon the value of the client. And in some cases, that will give the client a better funding return than the normal rate that we have in the market. And in many cases, not because they will have a better advantage on the mortgage book, or on the credit card, or on the payroll on things.

That's the way we compete. We don't compete on a product by product basis at all. That's the whole idea of personalization on that part. That's related to the funding cost.

And the other thing that you mentioned, Thiago, sorry, it wasn't related to.

No, I think, let me just give you an example that you will, and this is very important. If we go to the remittances market, the remittances market currently is a market that has been served based upon the fees that they pay to the banks. And there's no relationship with the clients.

They just go come and withdraw the come and withdraw the money and walk away. What we really now want to try is to make those clients part of Banorte and part of Bineo. We have very, very strong value proposition that will allow us to start building no-tax relationship with those clients. And those clients, believe me, are very, very big numbers coming on those clients.

So no, we don't compete on price. We compete based upon the whole relationship we produce to the client. I'm sure the market was shaped by the 15%. Some went with them, many stay with us.

We honestly didn't see any reduction at all in the relationship that we've got with our clients on this part. But it's a way to compete and I respect that. We don't compete in that way.

Q - Analyst

Very clear, Rafa, and congrats for the results.

A - Rafael Arana de la Garza {BIO 22681143 <GO>}

Thank you.

A - Unidentified Speaker

Thank you. Now we'll continue with Renato Meloni from Autonomous. Renato, please go ahead.

Renato. I think we can come back with him. We can go with Beatriz Abreu from Goldman Sachs. Beatriz, please go ahead.

Q - Analyst

Yes, hi, good morning, everyone. Thank you for taking my question. My question is on insurance. So, you delivered very good results this quarter and it was very clear that it was mostly on seasonality, right, of premium renewals that happens in the start of the year.

But I was wondering if you could give a little more color on your expectations for insurance for the full year. What sort of growth rate are you expecting from premiums this year? And if you think that total insurance contribution should improve in 2024 when compared to 2023? Thank you.

A - Unidentified Speaker

Thank you, Beatriz. Regarding this insurance, let me pass to Fernando Solis.

Are you there?

A - Fernando Solis Soberon {BIO 15414779 <GO>}

Yes, Marcos, I'm here. Yes, we had a very good, as was mentioned by both Marcos and Rafa, due to the seasonality of the premiums. And in this year, one very large policy was fully paid in the first quarter and not split between the first and the second quarter as happened last year. Having said that, and despite that, premium growth is going to be strong.

Remember that the most profitable products are those in which we cross-sell products with credits. So, what will happen at the year-end will be very much affected by the way in which we grow the credit portfolio. So given that the outlook that we have and also, of course, some other efficiencies that we have been implementing, also by seeing very strong increases in some products that we are going to start selling that we have not been yet doing that. So, I would say it's very, I'm going to be, let me put it this way, I'm very optimistic that we will definitely have a better number than last year.

It's going to be a very strong number. Of course, we will not end with a 65% increase in net income '24 versus '23, but I would say that perhaps we will be somewhere around 20% to 25% at the end of the year. It will, and I will make this very clear, it will depend, of course, on how we grow in the credit portfolio, particularly in the retail portfolio. That's what I would say.

Q - Analyst

Thank you, Fernando.

A - Fernando Solis Soberon {BIO 15414779 <GO>}

Thank you, Andres. Thank you, very clear.

Operator

We'll now go with Renato Meloni from Autonomous.

Go ahead, Renato.

Q - Renato Meloni {BIO 19012073 <GO>}

Hi, everyone. Can you guys hear me now?

A - Fernando Solis Soberon {BIO 15414779 <GO>}

Yes.

Q - Renato Meloni {BIO 19012073 <GO>}

Okay.

Sorry for earlier. Congrats on the results. I think pretty solid trends everywhere. I have a question here on Rappi.

Chart drops were pretty high this quarter, about 10% of low imbalances. So, I wonder if you expect this to be the recurring level there, or if that's going to improve now that you've taken more control on the JV And also related to this, if the earnings that came out of minority interests were all related to the consolidation of Rappi, so about those 200 million pesos of net loss, they were coming out of HAPI Thank you.

A - Fernando Solis Soberon {BIO 15414779 <GO>}

Thank you. I will pass this to Luis.

Thank you, Renato. Yeah, the chart drops were high because, as Rafa mentioned at the beginning, we finished now cleaning the portfolio and and we are creating some additional provisions. You are not going to see anything additional like that. We will start growing again with the right numbers and with the right criteria, as Rafa mentioned.

Thank you, Marcos. I will add to what Francisco just said, is that a high level of cost and risk does not necessarily imply a worsening loan portfolio quality. And certainly, that is not our expectation going forward. As all of us know, the cost of risk refers to expenses refers to expenses associated with potential credit losses within Banorte's loan portfolio.

They include provisions from loan losses, charge-offs, and other credit-related costs. The increase in the cost of risk often indicates higher anticipated credit losses, but it does not necessarily imply a worsening credit quality of its own because of mainly three factors. Factor number one is the portfolio composition. The cost of risk varies depending on the composition of Banorte's loan portfolio and his exposure to different sectors, industries, or geographic regions.

Even if the credit quality remains stable or improves within certain segments of the portfolio, changes in the overall mix of loans or shifts in the risk concentration scans can impact the cost of risk. The second factor is timing and recognition of losses. Banorte may choose to accelerate the recognition of potential losses, which is the case, talking about Rapid, and also with it so in anticipation of future credit losses. But we do not expect that to be repeated in the short term, not even the medium term.

And the third factor is the cyclical nature of risk. The credit risk is inherently cyclical with periods of expansion and contraction in credit quality driven by economic cycles and market dynamics. An increase in the cost of risk may reflect a natural adjustment in response to changing risk conditions rather than a permanent or irreversible deterioration in credit quality. So we are not associating even more provisioning, not a higher cost of risk with a lower loan portfolio quality.

And that's a very important statement to make.

A - Unidentified Speaker

And if I may just add, Renato, the evolution on the recovery unit concerning RAPI has been very, very positive. If you go to the roll rates and the evolution from zero to one, RAPI is now reaching very similar numbers to the credit card portfolio of Banorte. So I think the reason that we really took control of the company was really to put and implement all the methodology that we run Banorte with.

And the key part was risk and also recovery. I think the commercial part of Rappi and the analytical part of Rappi is very strong. So we just needed to clean up that part, control the recovery unit, put all the metrics of risk in place. And now that's why we see now a very, very I would say short period of time where we will become a break-even on a monthly basis, maybe in two or or at the most three months on that.

And believe me, that is a very, very good thing. Taking into consideration the market that we are addressing.

Q - Analyst

Thank you, that's very, very clear. And just like last year on the minority interest line, so everything that moved out of it was due to the current results from Rappi, correct?

A - Fernando Solis Soberon {BIO 15414779 <GO>}

Exactly, so what you see on the margin side, there will be a report on the margin side and you fully report all the things on a line-to-line basis.

And at the end, you subtract that and go to the additional interest that we have in the company, so only the 4% part. So on the cost side, it's less than 50 million on the cost side. And on the risk side, it's around 284 million. So 332 million on the risk side.

If you strip that from the risk side, then the Peta del Futuro is adding to the overall cost of risk from 171% to 184%. That's what's this increase in the cost of risk of Peta del Futuro in the way that we really consolidate based upon the accounting rules that we have. But the NPS of Peta del Futuro is 4.8%. So I think you are looking at a number of 4.8.

Obviously the numbers in Banorte are lower than that. So I think the trend is right now.

Q - Analyst

Got it. Very clear.

Thank you very much.

A - Fernando Solis Soberon {BIO 15414779 <GO>}

Believe me, it's a different market.

Q - Analyst

Thanks.

Operator

Thank you.

Now we'll continue with Nicolas Riva from Bank of America.

Q - Nicolas Riva {BIO 20589225 <GO>}

Thanks very much, Tomas, Rafael and Marcos for the chance to ask questions. I have two questions. The first one is, you mentioned in your earlier remarks that the holding company, Jefe Norte, issued a sustainable bond in Mexico for PHP13 million.

I imagine the proceeds of the bond are going to be used to finance social and or green projects. My question is, why the decision to really issue out of the whole core rather than out of the bank directly? I assume that the loans are going to be provided by the bank. And in general, if you can discuss, your senior funding needs, particularly in dollars, it seems that you do not expect your dollar loan book to grow for the rest of the year. But if you can discuss senior funding needs in dollars and a preference to issue out of the whole out of the whole co on our of the bank in the senior format.

And then the second question, the call date for the six and three quarter for the purpose coming up in September, if you can give us an update in terms of your preference for replacing their capital with Tier 2 with an 81 or not issuing at all I think you have made pretty clear the most likely, you're going to be calling the six and a quarter. This is not three quarters in September. Thanks.

A - Fernando Solis Soberon {BIO 15414779 <GO>}

Thank you, Nicholas.

As you know we cannot say that we are going to call it but we can say that in the past, we have a always know that's what we can say but and regarding the preferences very easy. It doesn't depend on us depend on the market, and we will see the windows, and we will be there. So, we want to be open and to see what's going on on those days, it's very volatile right now the market, and something will come up and you will see us going for the best option on that day. Regarding the first one.

A - GFNOREO

Yeah. Nicholas just to clear that the bond was issued at the bank level not at the holding company level. So, just wanted to clear that it's the same as all the other bonds that have been issued by the bank.

Q - Analyst

Okay, understood.

Okay. I thought I read in the press release half an hour so I thought it was the holding company but I understood and that makes more sense.

A - Fernando Solis Soberon {BIO 15414779 <GO>}

Sorry.

Q - Analyst

Yeah.

And then also, and that was in pesos but if you can discuss senior funding needs in dollars for the rest of the year.

A - Unidentified Speaker

Nicholas, as we have mentioned we based upon the activity that the country's having in the, in the flow of dollars and, and by not participating in a very important way on the dollar book on the, in the corporate and commercial. We have increased in a very important way, our, our funding in dollars. So, it's not just a peso, because in the past we issued the 80 wants to, to be able to compete on the, on the dollar book, but now, in addition to the 80 ones that we still hold.

We now have a very important flow of funds on the dollar, on the dollar side. So, that doesn't really restrict us to continue to be very present on the dollar funding part. The 80 ones that we have, that we will, that we will, as Marcos says, we cannot say that we will call, but we always call, is that we don't have any call coming over the next year. So, we have a very, I would say opportunistic view of when to go into the market.

We have just been in Asia and some people were saying, why you don't want to go into the market? we're saying, while you don't go into the market, we will jump into the, yes, at 5, 625, we will jump into the market, but not at the current prices that we have. So what can I say is that we are very well prepared for the funding side on dollars. The AT1s are very well programmed to be called when they need to be called based upon our policy, the hedge to call that we have since day one. So, Nicolas, what I can tell you is that we have a very, very disciplined way to address the funding needs of Van Orpe always.

And the schedule that we have on the AT1s give us not just this year, but also the next year to be ready when the window is there.

Q - Analyst

Understood, thanks very much, Rafa, Marcos, and Tomas.

A - Unidentified Speaker

Thank you. We'll now go with Carlos Gomez-Lopez from HSBC Go ahead, Carlos.

Q - Carlos Gomez-Lopez {BIO 18107094 <GO>}

Hi, good morning, and thank you for taking my call. I wanted to go back to the insurance business. I understand what you said about the premium being collected in the first quarter, as opposed to between two quarters. Could you quantify what that amount is? Second, have you been affected by the increase in auto insurance premiums in Mexico, like in the rest of the world? And finally, still in this segment, can you tell us if you expect any impact from the proposed legislation regarding the authorities and the concentration of unclaimed funds to a public one?

A - Unidentified Speaker

Thank you.

Carlos, I will start for the third one, and then I will pass to Fernando Solis. Regarding the authority initiative mentioned by the government, we are respectful of the process that they are following. And in case it went through, we estimate that it will not have a material effect in the business results. There are around 2,100 initiative accounts, amounting around, let's say, MXN4 billion, which represents, if you do the math, 0.3% of the total assets under management of the authority.

And we have MXN1.2 trillion pesos in the authority. Therefore, we anticipate no material impact, no? That's-

Q - Analyst

So, these are numbers for you, not for the system, right?

A - Unidentified Speaker

Yes, and we're talking about the balance. We have authority, authority, balance.

Security, okay.

And the first, yes, Fernando Solis, go ahead with the first one.

Yes, yes, of course. Well, I mean, the business that was behaving differently is the one that is regarding the largest the largest life insurance policy in the Mexican market. That is the policy that is protecting all the workers of the federal government.

That's a policy that we experience a huge difference this year with respect to last year. Last year, in the first quarter, we were paid 1,200 --around PHP1,200 million. And this year, we were paid, in the first quarter, PHP5,860 million. That's the difference in that.

Now, with respect to the, can you repeat about the, I'm not quite sure I understood your question about the carnations.

Q - Analyst

Yeah, I was wondering if the increase in car insurance rate, again, in Mexico, as in the US And other countries, had an impact on your results, although it seems small compared to this particular premium. You said 5.86 for this quarter. That's obviously a premium.

Would you be able to quantify how much that represented in terms of net income or production?

A - Unidentified Speaker

Yes, no problem. Let me go back to this one. Yes, the previous quarter, the net income due to this policy was PHP132 million. And in this quarter, we have PHP657 million.

That would be the net result due to the fact of this policy. I should mention that we have been growing strongly in other lines of business. So, despite this, the results of the insurance company are very strong. That's something that should be mentioned.

But, of course, we have this distortion due to the way which we were paid last year and this year. Okay, that's one thing.

Q - Analyst

Okay, and again, to understand, that means that in the second quarter, since you will not have this, there has to be a lower result.

A - Unidentified Speaker

That's exactly the way it's going to be.

Actually, what we're expecting, for instance, let me put you not the level, but in terms of the distribution or the share of the profits between quarters. I would say, for instance, that perhaps this means that it's given our forecast of the results as of today, that perhaps 44% of the results will be explained by this quarter versus like last year it was like 32%, 33%. Of course, the level will be larger, but the distribution of these results will shift accordingly, as I just mentioned. Is that clear?

Q - Analyst

That's very clear, thank you.

Yes, but I should emphasize that the business that the business insurance is doing quite well in all these lines of businesses. And hopefully, we will see a very strong loan portfolio and that will also push results further into the future. We will have just to wait and see. And in regarding the question of the auto insurance, I would say that for us, we are not expecting on the opposite.

We have been growing because, and he also explained because of the loan portfolio in the car businesses, because we grew 27% between one year and the other. So, despite that there has been some increases in the premiums, as you just mentioned, not only in Mexico, but also in some other parts of the world, we have been benefiting, taking into account all the effects. We have not seen, actually, we have seen more growth in the business, regardless of the behavior of prices.

Very clear.

Thank you so much.

A - Unidentified Speaker

No problem.

Thank you, Carlos.

Thank you.

Now we'll continue with Andres Soto from Santander. Andres, please go ahead.

Q - Andres Soto {BIO 15822388 <GO>}

Thank you very much. And congratulations on the results.

My question is related to taxes. We saw a significant increase in the tax burden this quarter, close to 30%. You usually pay around, let's say, '26. I would like to understand what is behind this.

Is the different contribution from the non-banking business, or is it related to some non-deductible expenses or maybe the losses from, or your other BNO and the non-profitable units, right? So, I would like to understand what to expect on the coming quarters regarding taxes. Thank you.

Q - Analyst

Thank you, Andres. Rafa, will you reach?

A - Unidentified Speaker

Yes, Andres, as you mentioned, yes.

What you will see is a normalization through the year to reach the 26, 26.1 tax numbers. What we usually do is that based upon some projections that we see on some legal issues, some other type of potential tax provisions, we like to put those provisions first in the first quarter and start really releasing those through the year as we finalize those initiatives that we have. We are very confident that by the end of the year, then you will see a number very close to the 26.1, 26.2. So, this is, as you mentioned, an extraordinary number that is 400 basis points above the normal levels that we need to have on the tax issues that will be released through the years as we finalize the initiatives that we have on the legal side and on other sides.

Q - Analyst

That's very clear. Thank you, Rafael.

A - Rafael Arana de la Garza {BIO 22681143 <GO>}

Thank you. Thanks, Andres.

Operator

We'll now go with Natalia Corfield from JP Morgan. Go ahead, Natalia.

Q - Analyst

Hi, everybody. Thank you for taking my question.

I'll actually go back a little bit to the point of AT1s and issuance. I totally get it that the market's not there right now and you're monitoring how the market develops. But if you had a window now, I think I would like to know what would be your preference, to issue an AT1 or to issue a Tier 2?

A - Jose Marcos Ramirez Miguel {BIO 17012786 <GO>}

Let's suppose that we have both windows available.

A - Rafael Arana de la Garza {BIO 22681143 <GO>}

No, I think, Natalia, I think we discussed this.

It looks that the Tier 2 is more convenient when you see from outside the bank. But the AT1 really provides us on the liquidity side, on many other things, on the accounting base, a much better fit for us on that part. But that doesn't mean that we are not reviewing every single day. If there's an arbitrage that we could do among those that is in benefit of the other, we will issue what is more benefit for the bank on that part.

So, we are not saying no to any one of those.

Q - Analyst

Okay, I get it. I'll just mention that I'm sure in the past your AT1 curve underperform AT1 curves of other banks in the region. And I believe part of that was because you have too many AT1s.

So, perhaps issuing a Tier 2 might not be the most ideal, but could help in your AT1 curve in the future. Like, of course, right now the bonds perform super well. But I am thinking ahead, it might help you on your AT1 cost for future if you don't have too many of them in the market.

A - Jose Marcos Ramirez Miguel {BIO 17012786 <GO>}

Natalia, what you say is I think is the correct way to see that.

I mean, Banorte was not present in the market for many years. We started to issue the AT1s. We become very present in the market. And now we are so present that people say, well, you have a lot of AT1s on that part.

So, what you will see is a more active Banorte in the markets as the window starts to open. So, I will not say just about T2 or maybe a maybe senior will be a possibility. We are active now on the i think now on the green bonds. So we are open to everything.

I mean, and the treasury is always doing what we have to be very careful is not to have arbitrage against us,. That's the most important part. Okay, thank you very much, Hafa. Thank you, Natalia.

Thank you. Now we'll continue with Edson Murguia from Somacup. Edson, please go ahead. All right, good afternoon.

Thank you for taking my question. I was just trying to understand if you see a value added from the GB with tarjetas del futuro. I know that in November you took control, but if it's a consumer credit card business, I mean, at the bank level, you are doing pretty well. So I just want to understand if you see any value added from Tarjetas del Futuro.

And my second question is regarding Onbineo. I know that you already explained that you are expected to have 500,000 clients by the end of 2024, but I'm curious about an operational level. There is a different type of technology. I know that you already mentioned that in the back office, you're a share part of the digital bank with Onbineo.

So I was trying to understand that on operational level, what will be the differences between the digital bank, Banorte, and Onbineo.

Q - Analyst

Okay. Thank you. Rafa, please go ahead.

Thank you, Edson. Edson, first, remember the strategic initiatives. We needed to understand perfectly the market that was coming with the ideas of the new bank, of the Wallace, of those coming to the market. And we also need to understand the behavior of young clients that were very heavy users of super apps on that part.

That's what we did a joint venture with Trappy. And I said, it has been a very beneficial for us in the way that we have now a very good market fit about how to address this type of market. So I think that's very valuable for us. I think the word market fit is critical here.

To have a market fit with a company and the clients that you serve in a completely different landscape that you mentioned because it's completely different. And you say, what's the value? The value is that you need to address every single part of the market. Maybe you will decide how strong you will participate in each of those parts of the market, but you need to understand every single part of the market. You cannot be surprised by anyone.

one or any competitor in the market. That was the idea on that. And I think we are very pleased about the evolution of Rapid concerning that we have a very good market feed, a very, very strong analytical base to deal with the clients and the evolution of our product base in just in the way we manage the credit card, I think is completely different from what you can find in the market. And that has been a very important learning process for us.

The technology that you see on Bineo, Bineo has a full independent technology base from Banorte. So that's completely different because that was the main idea to test the new technologies available to see the frontiers and limits of those technologies compared to the evolution of the technologies that the banks has, because Banorte has a lot of things on the cloud and goes into the latest technology that we run. How do we run Banorte with? But remember, legacy is still there. When you are born on a digital platform, the legacy is fully digital.

That's the big difference on this one. And that should driven the cost base down in an important way. So that's the difference, Utsu.

Okay, thank you so much.

Operator

We'll now go with the last question from Tejkiran Kannaluri from WhiteOak Capital. Please go ahead.

Q - Tejkiran Kannaluri

Hi, thank you for taking my question. If we'd see from a three to five-year perspective, all the investments, let's say, in the increased control of Rappi and Bineo, should we expect to see Banorte as a more retail bank? What, could you help us understand if you are thinking of a higher mix of, let's say, retail loans or a higher mix of profits coming from the retail bank over the commercial bank?

A - Unidentified Speaker

See yourselves as a universal bank.

So, I know, Rafa, you want to grab at something else.

A - Rafael Arana de la Garza {BIO 22681143 <GO>}

No, I think your question is quite important because if you see the evolution of what's happening in other parts in Brazil, it seems that the new banks are eating part of the retail base of the large banks, on that part. No, I think Banorte is very clear. We are very happy with our commercial and corporate growth.

I think we are, last year, we outpaced the market in corporate and commercial and also in SMEs. So that's a very important part of business for us. But Banorte was underweight on the consumer now is starting to reach the potential that we have on the consumer. That was not the case five years ago.

So we still have a long road to go on the commercial and corporate and also on SMEs and also on the consumer. You will see a very balanced growth for Banorte because the pace like for instance, corporate grew 20% last year, commercial 12% last year, SME 32% last year compared to car loan 30%, credit card 16%, mortgages 11%, payroll six. So you see very strong pace of growth overall the bank. And when we stole technology, we stole technology for the whole bank, not just for a part of the bank.

No, you will continue to see, as Marco says, a very, very strong universal bank. That's the way you should see Banorte. The things that we are doing in BNEO and also in Rappi is just to accelerate and catch up on the consumer base. But that doesn't mean that we are not growing fast the other parts of the business.

Q - Analyst

Very good, thank you.

Operator

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