



**GRUPO FINANCIERO BANORTE, S.A.B. DE C.V.**

**ANNUAL REPORT ON BUSINESS  
PERFORMANCE 2023**

# Annual Report on Business Performance 2023, Grupo Financiero Banorte.

In 2023, the 1,2,3 Plan concludes, which maintained the vision of “becoming the best Financial Group for our clients, investors and collaborators” with the mission of “being the #1 Financial Group in offering financial services in the digital world, maintaining our leadership in profitability and sustainability.”

We are very proud to share with you the main achievements of this strategic plan, which was based on three main pillars:

1. Accelerate the transformation of Banorte: in all “business as usual” processes to always offer the best client experience through the different operation and contact channels. Some of the initiatives that enabled this are the “Bank in Minutes” project, through which we improved the efficiency of internal processes, enabling us to deliver agile and high-quality service in every client interaction. Furthermore, we successfully launched new digital products and harnessed the power of artificial intelligence tools, among other initiatives implemented. Today we can proudly say that Banorte is a digital bank with branches.

In terms of organizational culture, we have also achieved significant improvements. In September 2023, the Great Place To Work survey was conducted for more than 27 thousand employees nationwide, with a participation rate of 80.3%. This year marked a historic milestone as we attained the highest group-level score to date, reaching 84.35%. Notably, five of the top ten highest-rated questions pertained to diversity, equity, and inclusion matters.

2. Seek partnerships and alliances that bring us closer to our clients’ day-to-day business: during 2023 we continued our joint venture with Rappi, and as of December 2023, Grupo Financiero Banorte will consolidate the operations of this joint venture line by line; we continued our collaboration with Google Cloud to address issues of cybersecurity, cloud use, hyperpersonalization and agile culture; TuHabi, a minority investment and commercial alliance in mortgage loans, has helped us improve internal processes; and Clip, a minority investment, gave us a seat (without voice or vote) on the Board to learn from one of the region’s most successful unicorns.
3. Build the digital bank from scratch: We are thrilled to announce the launch our new way of banking through Bineo. After several months of preparation, we have obtained the banking license and regulatory authorizations required for the operation of our cutting-edge 100% digital bank eliminating the need for physical branches entirely, leveraging shared services with Banorte to operate with efficiency levels well below those of traditional banking, targeting ranges between 20% and 25%. With this, we will be able to serve the Mexican market through this new channel, the first 100% digital bank in Mexico, with the support of Banorte, an institution that brings more than 120 years of banking experience and more than 15 years of experience in mobile banking.

Finally, I would like to emphasize that in 2023, sustainability projects were extended across all business areas of the Group, and we commenced the execution of 41 projects dedicated to sustainability. Through these projects, we are actively enhancing our capabilities to promote sustainable financing with our client base, increasing the number of sustainable financial products that support the transition to a lower carbon economy, and projects that will foster greater financial inclusion and education for our clients.

Within Banorte, we are also implementing projects to adapt our buildings to operate with less energy consumption, implementing effective waste management practices, and undertaking concrete actions to foster greater equity and inclusion for all employees of the Financial Group.

We know how important it is to give transparency to our strategy, so once the 1,2,3 Plan is concluded, we have defined a plan to ensure the continuation of value creation for our investors, clients and collaborators based on our institutional values of integrity, trust and loyalty.

## **Group results**

During 2023, GFNorte maintained solid lending activity, bringing the portfolio balance to over one trillion pesos. The portfolio's annual expansion was supported by sound private consumption, the strength of the labor market and the gradual materialization of initial nearshoring investments, driving the consumer, commercial and corporate portfolios to have accelerated expansions during 2023. Similarly, portfolio growth has been consistently supported by the stability of quality and risk indicators, maintaining levels below historical averages.

Structurally, we have maintained active balance sheet management in anticipation of the easing monetary policy cycle. Our focus has been on constructing a low-risk fixed-rate portfolio inventory to serve as a natural hedge, as well as diligent institutional funding cost management.

The internal capital generation and the performance of the group's different business lines enabled sustained profitability metrics during 2023.

### **Net interest income**

In 2023, interest income reached Ps 375,497 million, an increase of 40% compared to 2022, driven by the volume and mix of the loan portfolio, and the benefit of the 75bps adjustment in the reference rate over the last 12 months, offsetting the negative effect of inflation in inflation-indexed securities of the annuities business. Interest expense increased 63% year-over-year to Ps 248,015 million, in line with the adjustment in the reference rate; nevertheless, the funding mix remained stable, with 72% in demand deposits and 28% in time deposits.

Net interest income closed the year at Ps 127,482 million, an annual increase of 10%, maintaining the Net Interest Margin stable at 6.3%.

### **Loan Loss Provisions**

At year-end, provisions stood at Ps 15,942 million, 34% higher vs. 2022, related with the dynamism and mix of credit origination, particularly with a focus on the consumer portfolio. Regarding the additional reserves created in 2020 to face the COVID-19 pandemic, during 2023, Ps 403 million were used and Ps 297 million were canceled. Therefore, the balance at the end of the year was zero.

## Non-interest income

Non-interest income amounted to Ps 6,603 million, an expansion of Ps 5,087 million compared to the previous year, mainly due to better technical results in insurance and annuities, benefiting from solid business generation and lower inflation in the period, as well as better results in both trading income and other operating income (expenses).

## Non-interest expenses

Non-interest expenses in 2023 were Ps 48,582 million, expanding 9% compared to 2022, as a result of investments in technology projects to ensure the continuity and stability of the business, as well as higher personnel expenses associated with i) inflationary adjustments on wages; ii) development of organic growth projects; and iii) incentives provisioning, aligned with business generation, and early severance payments.

## Net income

Net income in 2023 totaled Ps 52,418 million, 15% higher than that reported in 2022, as a result of good business dynamics in the group's main subsidiaries. Comprehensive income was Ps 56,004 million, increasing 30% annually.

## Profitability

ROE for the year stood at 21.4%, up 221bps compared to 19.2% in 2022, reflecting the strength of the group's businesses. ROA stood at 2.4% at the end of 2023, 14bps higher than in 2022. The Bank's ROE stood at 27.4% at the end of 2023, expanding 275bps annually.

## Stage 1 and 2 Loan Portfolio

In 2023, the balance of stage 1 and 2 loan portfolios exceeded one trillion pesos, closing at Ps 1,031,927 million, 12% higher than in 2022. Annual performance was driven by double-digit growth in most portfolios. The consumer portfolio increased by 15%, driven by strong activity in mortgages, up by 12%, growing on average by more than Ps 2,100 million per month in high-value clients. Payroll and credit cards grew 11% and 29%, respectively, and auto 32%, driven by dynamic activity in the sector, as well as the boost in origination through different commercial associations. The commercial portfolio grew 10%, reflecting the dynamism of the economic activity and the strategic focus on growing and monetizing relationships with SMEs. On the other hand, the corporate portfolio grew 21%, driven by the healthy and diversified growth of the portfolio, as well as by the growing credit demand derived from nearshoring.

GFNorte's corporate loan portfolio is well diversified by sector and region and shows low concentration risk. The main 20 private sector borrowers accounted for 10.9% of the group's stage 1 and 2 portfolio; the largest corporate loan accounts for 1.2%, while the 20<sup>th</sup> largest corporate accounts for 0.3% of the group's portfolio. All 20 companies are rated A1.

In 2023, the government portfolio in stages 1 and 2 remained mostly stable, with a balance of Ps 171,961 million. The government loan portfolio is well diversified by region, showing an adequate risk profile, given that 31.7% of the government portfolio corresponds to the federal government

exposure and 83% of states and municipalities government loans are backed by fiduciary guarantees.

### Stage 3 portfolio

At the end of 2023, the stage 3 portfolio balance increased Ps 918 million to Ps 10,890 million, growing mainly in credit cards, considering the consolidation of Tarjetas del Futuro operations. However, at an institutional level, Banorte remains focused on growing with quality, as reflected in its 1.0% NPL ratio at year-end. Given the selectivity in loan origination and strong prevention, mitigation, and collection management, we have maintained the ratio below the historical average, ensuring it remains one of the healthiest in the system.

### Deposits

In 2023, GFNorte's total deposits reached Ps 1,056,418 million, an annual growth of 18%. Demand deposits reached Ps 689,217 million, in line with the institutional strategy of focusing on low-cost funding; the funding mix remained relatively stable even with the current rate conditions and the accelerated portfolio expansion.

### Coverage and Capitalization

The reserve coverage ratio stood at 182.3%, up from 179.5% reported in 2022.

Banorte has been noted for maintaining a strong capitalization ratio above regulatory minimums, with low leverage ratios reflecting balance sheet strength.

The capitalization requirements established to date by Mexican authorities and the international standards known as Basel III Standards, effective since January 2013, have been adopted.

Banorte's estimated Capitalization Ratio was 20.69% considering credit, market, and operational risks, and 29.12% considering only credit risks; CET1 was 14.72%.

### Material Events

During 2023, Grupo Financiero Banorte was awarded different recognitions that highlight the strengths of the business model, client centricity, digital leadership, comprehensive service, and management model.

Below are the main acknowledgments of the year:

- World Finance recognized us as Best Retail Bank, Best Corporate Governance, and Best Pension Fund in Mexico.
- In the Institutional Investor survey, we were named Best CEO, Best CFO, Best IRO, Best IR and ESG team and program, as well as Best Board of Directors and Most Awarded Company in LatAm, excluding Brazil.
- We were named the Best Bank for SMEs 2023 by Global Finance.

- We were named Best Digital Consumer Bank and Best Banking App in Mexico by World Finance.
- We entered the Top 5 Most Trusted Banks in the World by Newsweek.
- We were included in the Top 10 most important companies in Mexico by Expansión magazine.
- Focus Economics named us Best Economic Forecaster in 2023.
- ALAS20 recognized us as The Best Bank in Mexico in 2023.
- We remain listed in the FTSE4Good Emerging and FTSE BIVA index series.
- For the eighth consecutive year, GFNorte was included in the Dow Jones Sustainability Index for the Latin American Integrated Market (LAIM).
- We were included in the Bloomberg Gender Equity Index for the seventh consecutive year.
- For the second consecutive year, Banorte was included in the Sustainability Yearbook published by S&P Global.

## Reflection

We start 2024 ready for the next challenge...

It is time to give momentum and rhythm to all that we have built. Let's continue to create EXTRAORDINARY experiences for each and every one of our clients by doing what we do best.

I would like to thank our investors and shareholders for the trust they have placed in Banorte, our clients for allowing us to support them in their plans and projects, and our employees for their constant commitment to achieving the goals we have set for ourselves as a Financial Group.

Thank you for being part of the great Banorte family.

Affectionately,

**Mr. José Marcos Ramírez Miguel**  
**CEO of Grupo Financiero Banorte**