

GENTERA

Quarterly Report

October 29, 2020

Relevant provisions impact results

- Results show significant losses, in a less dynamic environment, reflecting the benefits given to customers to cope with the pandemic, and an extraordinarily high level of provisions
- As a result, the main indicators show a substantial deterioration; the MIN contracts to 0.3% and non-performing loans rises to 6.9%. However, ICAP and liquidity remained an important strength

Historically high losses, but financial strength should help resume growth.

The results reflect major losses of \$1.9 billion, due to a provision of \$1.6 billion as a prudential measure, thus having now much better visibility of the portfolio's behavior in Mexico. Although the consolidation of Concrédito supported the 3.6% y/y rise in the loan portfolio to reach \$40.8 billion, growth in Peru and Guatemala was mitigated by the 17.5% y/y drop in Banco Compartamos. Derived from the above and from a strategy focused on providing benefits to customers (payment deferral and a lower active interest rate), financial income fell 28.5% y/y, while interest expenses increased 24.0% y/y, in spite of lower funding costs, by having different credit lines seeking to maintain high levels of liquidity. Thus, the Financial Margin fell 33.7% y/y. The above, coupled with the aforementioned provisions, drove the NIM to levels of 0.3% (vs. 13.0% in 2Q20). Non-performing loans increased to a historically high level of 6.9% vs. 3.8% previously, stemming from the deterioration in all subsidiaries. Although the results reflect a very severe impact, **we believe that this should be the worst quarter, expecting a gradual recovery.** With a better visibility of the portfolio's behavior, and an important financial solidity (ICAP 31.0%), the company's strategy and positioning should help to gradually resume growth.

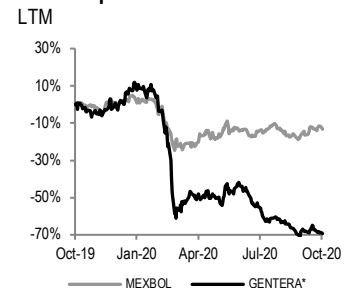
www.banorte.com
@ analisis_fundam

Marissa Garza
Director of Equity Strategy
Marissa.garza@banorte.com

HOLD

Current Price	\$6.01
PT2020	\$11.00
Dividend 2020	
Dividend Yield (%)	
Upside Potential	83.0%
Max – Min LTM (\$)	22.30-5.55
Market Cap (US\$m)	467.6
Shares Outstanding (m)	1,624.6
Float	64.9%
Daily Turnover (\$m)	28.8
Valuation metrics LTM	
P/BV	0.5x
P/E	-8.7x
MSCI ESG Rating*	N.A.

Relative performance to MEXBOL



Financial Statements

	2018	2019	2020E	2021E
Interest Income	20,987	22,809	19,664	22,311
Financial Margin	19,276	20,733	17,352	19,905
Allowance for loan losses	2,712	3,164	5,471	4,286
Operating Income	3,992	4,606	-247	2,074
Net Income	2,990	3,363	-175	1,488
Net Margin	14.2%	14.7%	-0.9%	6.7%
Total Assets	51,588	56,640	72,158	76,442
Performing Loan Portfolio	34,750	40,528	40,545	44,562
Non-performing Loan Portfolio	975	1,164	1,603	1,832
Total Liability	33,505	36,119	50,543	53,787
Common Equity	18,083	20,521	21,615	22,655

Source: Banorte

Valuation and financial metrics

	2018	2019	2020E	2021E
P/E	3.2x	2.8x	-54.5x	6.4x
P/BV	0.5x	0.5x	0.5x	0.7x
ROE	16.6%	16.4%	-0.8%	6.6%
ROA	5.8%	5.9%	-0.2%	1.9%
NIM	42.2%	38.3%	19.1%	24.1%
NPL	2.7%	2.8%	3.8%	3.9%
Prov/TL	6.2%	6.3%	11.0%	6.0%

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GENEREA – Results 3Q20

MXN, million

Concept	3Q19	3Q20	Var%	3Q20e	Diff % vs. Estim.
Interest Income	5,765	4,123	-28.5%	4,549	-9.4%
Financial Margin	5,248	3,481	-33.7%	3,996	-12.9%
Operating Income	1,300	-2,903	N.A.	-2,363	N.A.
Net Income	948	-1,983	N.A.	-1,693	N.A.
Margins					
ROE	16.0%	-5.7%	-21.7pp	15.6%	-21.3pp
NIM	38.0%	0.3%	-37.7pp	37.2%	-36.9pp
NPL	2.9%	6.9%	4.0pp	2.9%	4.0pp
Provisions/TL	217.3%	240.5%	23.3pp	217.8%	22.7pp

Balance Sheet (Million)

Year	2019	2020	2020	Change	Change
Quarter	3	2	3	% y/y	% q/q
Total Assets	55,705.2	70,177.0	72,413.9	30.0%	3.2%
Cash and cash equivalents	8,283.9	22,970.3	23,094.2	178.8%	0.5%
Loan Portfolio (Net)	36,939.8	36,213.1	40,823.9	10.5%	12.7%
Allowance for loan losses	-2,483.1	-4,500.2	-6,814.9	174.5%	51.4%
Performing Loan Portfolio	38,280.0	39,168.5	37,990.6	-0.8%	-3.0%
Non-performing Loan Portfolio	1,142.9	1,544.7	2,833.4	147.9%	83.4%
Other Accounts Receivables	1,866.8	1,252.7	2,162.0	15.8%	72.6%
Property, furniture & fixtures	1,030.9	994.0	995.1	-3.5%	0.1%
Long Term Investments	2,402.1	3,072.9	95.6	(1.0)	-96.9%
Taxes	1,444.3	2,072.1	2,787.0	93.0%	34.5%
Other Assets	2,826.9	2,774.0	8,176.6	189.2%	194.8%
Total Liabilities	35,715.3	48,936.8	50,067.5	40.2%	2.3%
Notes Payables	20,705.1	25,830.8	24,496.5	18.3%	-5.2%
Bank Loans	10,819.0	19,315.3	19,108.0	76.6%	-1.1%
Other accounts payable	4,186.1	3,790.7	4,672.8	11.6%	23.3%
Stockholders' Equity	19,989.9	21,240.2	22,346.4	11.8%	5.2%
Minority Interest	48.2	38.0	3,408.5	>500%	>500%
Majority Interest	19,941.7	21,202.3	18,937.9	-5.0%	-10.7%

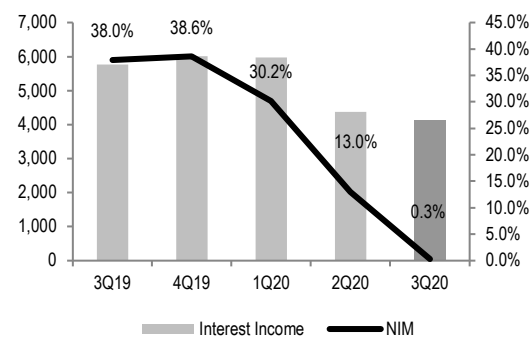
Income Statement (Million)

Interest Income	5,764.9	4,364.5	4,122.8	-28.5%	-5.5%
Interest Expense	517.4	597.0	641.7	24.0%	7.5%
Financial Margin	5,247.5	3,767.5	3,481.1	-33.7%	-7.6%
Provision for Loan Losses	828.1	1,740.6	3,434.3	314.7%	97.3%
Adjusted Financial Margin	4,419.4	2,026.9	46.8	-98.9%	-97.7%
Net Commissions	226.5	5.6	147.4	-34.9%	>500%
Intermediation Income	5.8	(1.3)	(2.5)	N.A.	95.8%
Other operating income/expense	27.0	(15.0)	3.0	-88.9%	N.A.
Administrative & Promotion Expenses	3,354.4	3,024.5	3,232.7	-3.6%	6.9%
Operating Income	1,300.3	(955.0)	(2,903.0)	N.A.	204.0%
Taxes	410.0	(217.0)	(833.0)	N.A.	283.9%
Subsidiaries	57.6	9.0	27.0	-53.2%	200.0%
Consolidated Net Income	947.9	(729.0)	(1,983.0)	N.A.	172.0%
Minorities	8.9	(10.0)	(44.0)	N.A.	340.0%
Discontinued operations		(1.0)	60.0	N.A.	N.A.
Majority Net Income	939.0	(719.0)	(1,939.0)	N.A.	169.7%

Source: Banorte, MSE

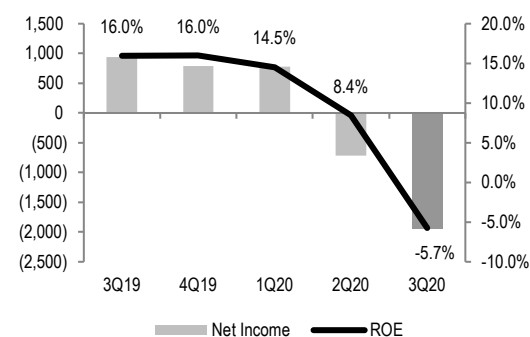
Interest Income & NIM

MXN, Million

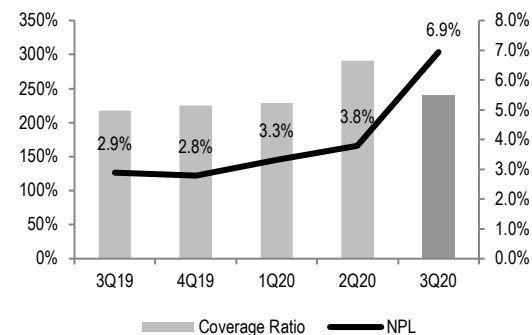


Net Income & ROE

MXN, Million



Coverage Ratio & NPL



Certification of Analysts.

We, Gabriel Casillas Olvera, Alejandro Padilla Santana, Delia María Paredes Mier, Juan Carlos Alderete Macal, Manuel Jiménez Zaldívar, Marissa Garza Ostos, Tania Abdul Massih Jacobo, Francisco José Flores Serrano, Katia Celina Goya Ostos, Santiago Leal Singer, José Itzamna Espitia Hernández, Valentín III Mendoza Balderas, Víctor Hugo Cortes Castro, Hugo Armando Gómez Solís, Miguel Alejandro Calvo Domínguez, Luis Leopoldo López Salinas, Leslie Thalia Orozco Vélez, Gerardo Daniel Valle Trujillo, Eridani Ruibal Ortega and Juan Barbier Arizmendi, certify that the points of view expressed in this document are a faithful reflection of our personal opinion on the company (s) or firm (s) within this report, along with its affiliates and/or securities issued. Moreover, we also state that we have not received, nor receive, or will receive compensation other than that of Grupo Financiero Banorte S.A.B. of C.V for the provision of our services.

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HOLD	When the share expected performance is similar to the MEXBOL estimated performance.
SELL	When the share expected performance is lower than the MEXBOL estimated performance.

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History of PT and Ratings

Stock	Date	Rating	PT
GENEREA	07/23/2020	Hold	\$11.00
GENEREA	02/26/2020	Buy	\$24.00
GENEREA	02/07/2020	Under Review	Under Review
GENEREA	04/24/2019	Buy	\$21.80

MSCI ESG Rating scale

CCC	B	BB	BBB	A	AA	AAA
LAGGARD		AVERAGE			LEADER	

*The MSCI ESG Rating is an indicator that evaluates companies in Environment, Society and Governance (ESG) metrics.

GRUPO FINANCIERO BANORTE S.A.B. de C.V.

Research and Strategy			
Gabriel Casillas Olvera	IRO and Chief Economist	gabriel.casillas@banorte.com	(55) 4433 - 4695
Raquel Vázquez Godínez	Assistant	raquel.vazquez@banorte.com	(55) 1670 - 2967
Lourdes Calvo Fernández	Analyst (Edition)	lourdes.calvo@banorte.com	(55) 1103 - 4000 x 2611
Economic Research and Financial Market Strategy			
Alejandro Padilla Santana	Executive Director of Economic Research and Financial Markets Strategy	alejandro.padilla@banorte.com	(55) 1103 - 4043
Itzel Martínez Rojas	Analyst	itzel.martinez.rojas@banorte.com	(55) 1670 - 2251
Economic Research			
Juan Carlos Alderete Macal, CFA	Director of Economic Research	juan.alderete.macal@banorte.com	(55) 1103 - 4046
Francisco José Flores Serrano	Senior Economist, Mexico	francisco.flores.serrano@banorte.com	(55) 1670 - 2957
Katía Celina Goya Ostos	Senior Economist, Global	katia.goya@banorte.com	(55) 1670 - 1821
Luis Leopoldo López Salinas	Economist, Global	luis.lopez.salinas@banorte.com	(55) 1103 - 4000 x 2707
Market Strategy			
Manuel Jiménez Zaldívar	Director of Market Strategy	manuel.jimenez@banorte.com	(55) 5268 - 1671
Fixed income and FX Strategy			
Santiago Leal Singer	Senior Strategist, Fixed Income and FX	santiago.leal@banorte.com	(55) 1670 - 2144
Leslie Thalía Orozco Vélez	Strategist, Fixed Income and FX	leslie.orozco.velez@banorte.com	(55) 5268 - 1698
Equity Strategy			
Marissa Garza Ostos	Director of Equity Strategy	marissa.garza@banorte.com	(55) 1670 - 1719
José Itzamna Espitia Hernández	Senior Strategist, Equity	jose.espitia@banorte.com	(55) 1670 - 2249
Valentín III Mendoza Balderas	Senior Strategist, Equity	valentin.mendoza@banorte.com	(55) 1670 - 2250
Víctor Hugo Cortes Castro	Senior Strategist, Technical	victorh.cortes@banorte.com	(55) 1670 - 1800
Eridani Ruibal Ortega	Analyst	eridani.ruibal.ortega@banorte.com	(55) 1103 - 4000 x 2755
Juan Barbier Arizmendi, CFA	Analyst	juan.barbier@banorte.com	(55) 1670 - 1746
Corporate Debt			
Tania Abdul Massih Jacobo	Director of Corporate Debt	tania.abdul@banorte.com	(55) 5268 - 1672
Hugo Armando Gómez Solís	Senior Analyst, Corporate Debt	hugoa.gomez@banorte.com	(55) 1670 - 2247
Gerardo Daniel Valle Trujillo	Analyst, Corporate Debt	gerardo.valle.trujillo@banorte.com	(55) 1670 - 2248
Economic Studies			
Delia María Paredes Mier	Executive Director of Economic Studies	delia.paredes@banorte.com	(55) 5268 - 1694
Miguel Alejandro Calvo Domínguez	Senior Analyst, Economic Studies	miguel.calvo@banorte.com	(55) 1670 - 2220
Wholesale Banking			
Armando Rodal Espinosa	Head of Wholesale Banking	armando.rodal@banorte.com	(81) 8319 - 6895
Alejandro Aguilar Ceballos	Head of Asset Management	alejandro.aguilar.cebaldos@banorte.com	(55) 5268 - 9996
Alejandro Eric Faesi Puente	Head of Global Markets and Institutional Sales	alejandro.faesi@banorte.com	(55) 5268 - 1640
Alejandro Frigolet Vázquez Vela	Head of Sólida Banorte	alejandro.frigolet.vazquezvela@banorte.com	(55) 5268 - 1656
Arturo Monroy Ballesteros	Head of Investment Banking and Structured Finance	arturo.monroy.ballesteros@banorte.com	(55) 5004 - 1002
Carlos Alberto Arciniega Navarro	Head of Treasury Services	carlos.arciniega@banorte.com	(81) 1103 - 4091
Gerardo Zamora Nanez	Head of Transactional Banking, Leasing and Factoring	gerardo.zamora@banorte.com	(81) 8318 - 5071
Jorge de la Vega Grajales	Head of Government Banking	jorge.delavega@banorte.com	(55) 5004 - 5121
Luis Pietrini Sheridan	Head of Private Banking	luis.pietrini@banorte.com	(55) 5004 - 1453
Lizza Velarde Torres	Executive Director of Wholesale Banking	lizza.velarde@banorte.com	(55) 4433 - 4676
Oswaldo Brondo Menchaca	Head of Specialized Banking Services	osvaldo.brondo@banorte.com	(55) 5004 - 1423
Raúl Alejandro Arauzo Romero	Head of Transactional Banking	alejandro.arauzo@banorte.com	(55) 5261 - 4910
René Gerardo Pimentel Ibarrola	Head of Corporate Banking	pimentelr@banorte.com	(55) 5268 - 9004
Ricardo Velázquez Rodríguez	Head of International Banking	rvelazquez@banorte.com	(55) 5004 - 5279
Víctor Antonio Roldan Ferrer	Head of Commercial Banking	victor.rolan.ferrer@banorte.com	(55) 5004 - 1454