



Regional S.A.B. de C.V.

Conference Call 2Q18 | July 2018

Executive Summary

2Q18 Results

Regional vs Financial System

Financial Information

Executive Summary

The most relevant results for 2Q18 :

- Financial Margin grew 13.9% YoY
- NIM was 6.4%
- Efficiency Ratio was of 42.5%
- ROAE last twelve months of 20.3%
- Total Loan Portfolio grew 9.5% YoY and Core Deposits grew 18.1% YoY
- NPL Ratio was 1.9%

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Financial Summary

	2Q17	2Q18	YoY
Profitability			
Net Income LTM	1,302	1,565	20.2%
NIM	6.0%	6.4%	38 b.p.
NIM of Total Loans	6.7%	6.8%	5 b.p.
ROAE	20.1%	20.3%	11 b.p.
ROAA	2.5%	2.7%	17 b.p.
Efficiency Ratio	42.8%	42.5%	(30 b.p.)
Growth			
Time Deposits	38,797	49,993	28.9%
Demand Deposits	31,872	33,474	5.0%
Shareholders Equity	13,778	15,943	15.7%
Total Loan Portfolio	83,119	90,995	9.5%
Risks			
NPL Ratio	1.7%	1.9%	20 b.p.
Capitalization Ratio ¹	13.3%	13.8%	43 b.p.

1) Capitalization Ratio for Banco Regional de Monterrey, S.A. as of May 2017 and May 2018.

Balance Sheet

	2Q17	1Q18	2Q18	YoY	QoQ
Cash and Equivalents	6,602	7,220	10,059	52.4%	39.3%
Securities Investments	6,433	8,971	5,079	(21.0%)	(43.4%)
Loan Portfolio	83,119	89,548	90,995	9.5%	1.6%
Performing loans	81,722	87,921	89,286	9.3%	1.6%
Non performing loans	1,397	1,627	1,709	22.3%	5.0%
Provisions	(1,926)	(2,066)	(2,075)	7.7%	0.4%
Operational Leasing	4,276	4,925	5,099	19.2%	3.5%
Other assets ¹	4,703	4,906	5,574	19.0%	13.8%
Total Assets	103,207	113,504	114,731	11.2%	1.1%
Core Deposits	70,669	78,609	83,467	18.1%	6.2%
Demand Deposits	31,872	30,971	33,474	5.0%	8.1%
Time Deposits	38,797	47,638	49,993	28.9%	4.9%
Commercial paper (CB)	1,728	1,176	864	(50.0%)	(26.5%)
Development Banks	8,109	7,951	7,780	(4.1%)	(2.2%)
Repurchase agreements	5,393	6,124	3,003	(44.3%)	(51.0%)
Other liabilities ²	3,530	4,591	3,674	(20.1%)	4.1%
Total Liabilities	89,429	98,451	98,788	10.5%	0.3%
Total Shareholders' Equity	13,778	15,053	15,943	15.7%	5.9%

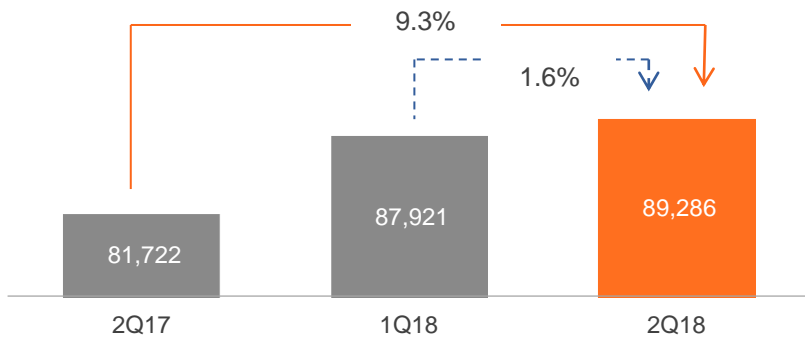
Figures in million pesos.

(1) Includes other receivable (net); Repossessed Assets; Real estate, furniture and equipment (net); Permanent investment in shares; Deferred Tax (net) and Other assets, deferred charges and intangibles.

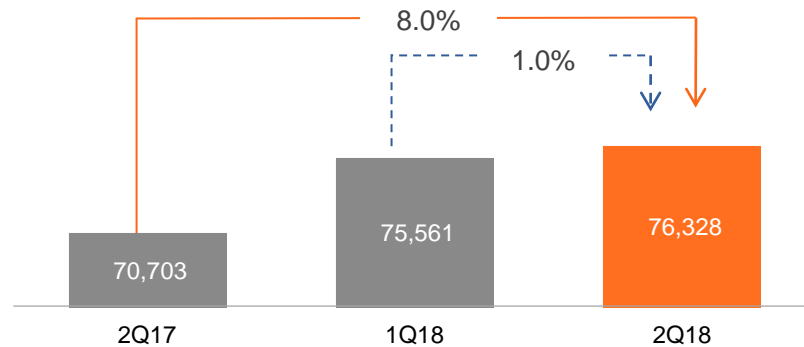
(2) Includes operations with securities and derivatives; Other payable accounts; Deferred Tax Liabilities; Deferred credits.

Performing Loan Portfolio

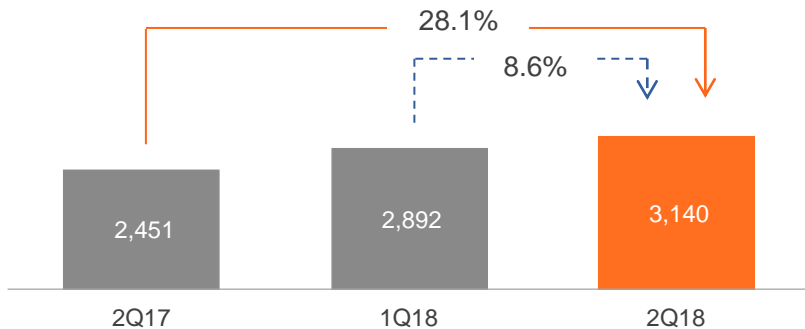
Total Performing Loan Portfolio



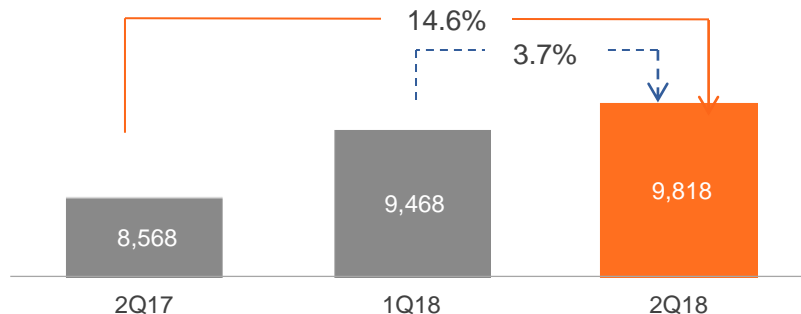
Commercial



Consumer



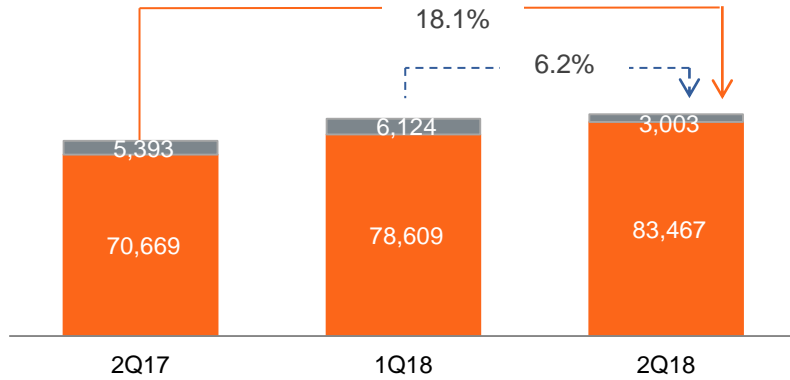
Mortgage



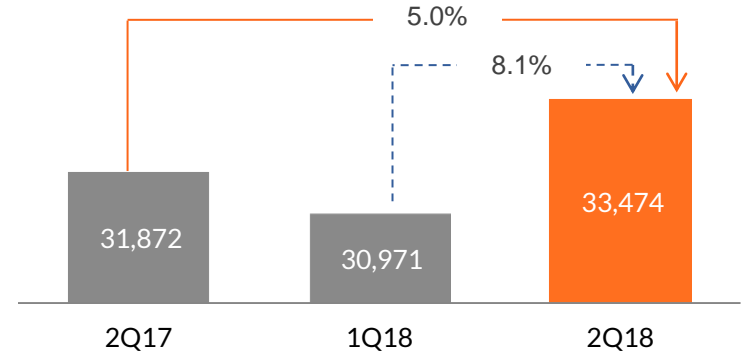
Figures in million pesos.

Deposits

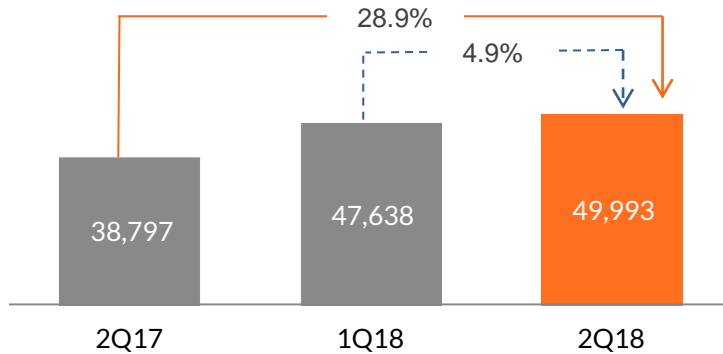
Total Deposits



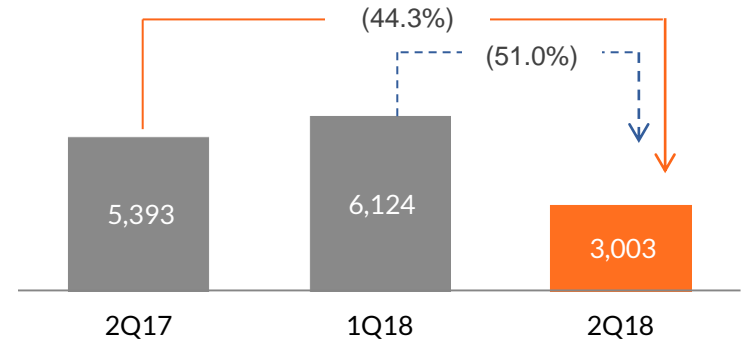
Demand Deposits



Time Deposits



Repurchase Agreements



Income Statement

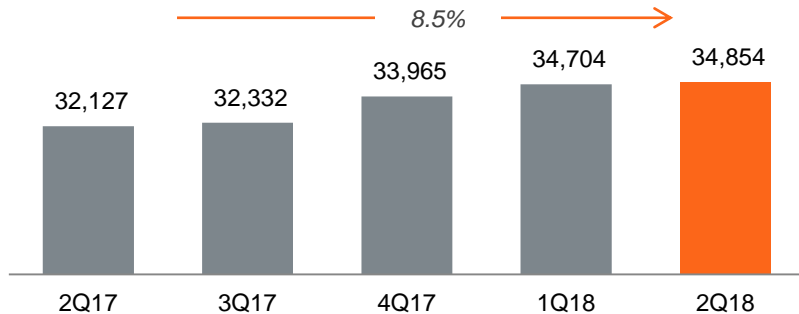
	2Q17	1Q18	2Q17	YoY	QoQ
Interest Income	2,803	3,209	3,384	20.7%	5.5%
Interest expenses	(1,291)	(1,559)	(1,696)	31.4%	8.8%
Financial Margin	1,512	1,650	1,688	11.6%	2.3%
Net Provisions	(220)	(144)	(162)	(26.3%)	12.5%
Margin adjusted by Provisions	1,292	1,506	1,526	18.1%	1.3%
Commissions and fees	154	147	171	10.8%	16.3%
Insurance and FX fee	118	128	155	31.1%	21.1%
Pure Leasing	190	153	211	11.0%	38.3%
Other income (expense)	(15)	(3)	10	(+100%)	(+100%)
Non financial income	447	424	547	22.3%	29.0%
Total Income	1,739	1,930	2,073	19.2%	7.4%
Compensation and benefits	(427)	(482)	(450)	5.4%	(6.7%)
Other expenses	(393)	(415)	(487)	23.9%	17.3%
Total expenses	(820)	(897)	(937)	14.3%	4.5%
Income Before Tax	919	1,033	1,136	23.6%	9.9%
Income Tax	(261)	(290)	(317)	21.5%	9.3%
Net Income	660	745	820	24.2%	10.0%

Financial Information – Income Statement YTD

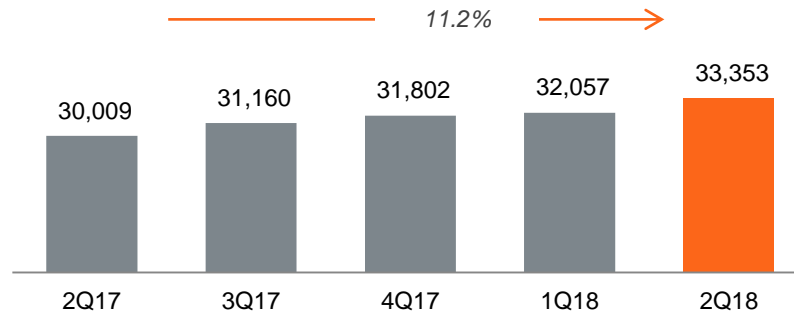
	6M17	6M18	YoY
Interest Income	5,429	6,593	21.4%
Interest expenses	(2,499)	(3,255)	30.3%
Financial Margin	2,930	3,338	13.9%
Net Provisions	(386)	(306)	(20.7%)
Margin adjusted by Provisions	2,544	3,032	19.2%
Commissions and fees	302	317	5.3%
Insurance and FX fee	224	282	26.0%
Pure Leasing	397	364	(8.3%)
Other income (expense)	(74)	7	(+100%)
Non financial income	849	970	14.3%
Total Income	3,393	4,002	18.0%
Compensation and benefits	(834)	(932)	11.8%
Other expenses	(754)	(902)	19.6%
Total expenses	(1,588)	(1,834)	15.5%
Income Before Tax	1,805	2,168	20.1%
Income Tax	(511)	(607)	18.8%
Net Income	1,302	1,565	20.2%

Financial Summary

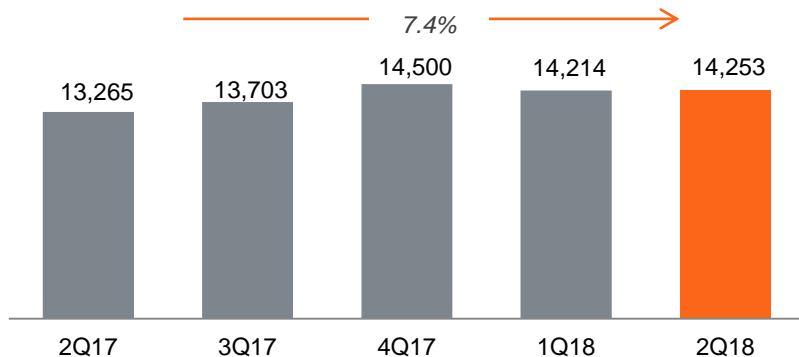
Nuevo León



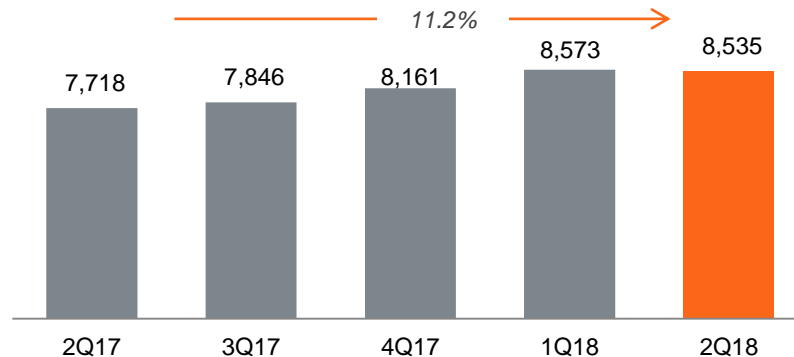
Other Regions



Mexico City¹



Jalisco

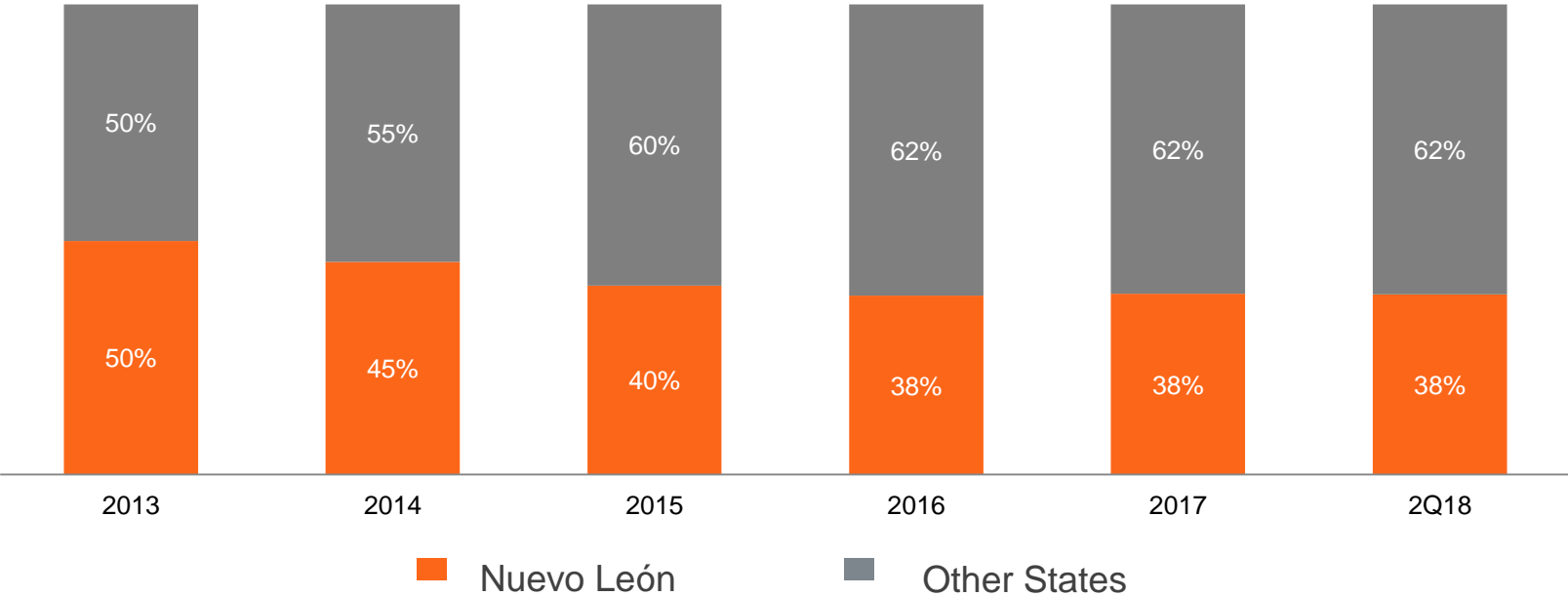


June 2018.
 Figures in million pesos.
 (1) Mexico City = Distrito Federal + Estado de Mexico

Geographic Diversification



Loan Evolution



NPL by Business Unit

	2Q17	3Q17	4Q17	1Q17	2Q18
Small Business	3.8%	3.9%	3.9%	4.0%	4.1%
Medium Business	0.9%	1.0%	0.9%	1.1%	1.3%
Commercial Loans	1.7%	1.8%	1.6%	1.8%	1.9%
Auto Loans	0.8%	0.9%	0.8%	0.8%	0.8%
Mortgage	1.9%	1.8%	1.9%	2.0%	1.9%
Consumer Loans	2.3%	2.6%	2.9%	2.5%	2.2%
Banregio's NPL Ratio	1.7%	1.7%	1.7%	1.8%	1.9%

Executive Summary

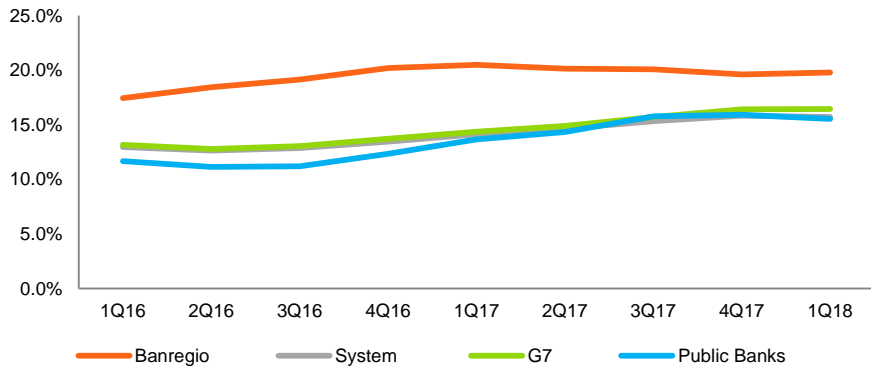
2Q18 Results

Regional vs Financial System

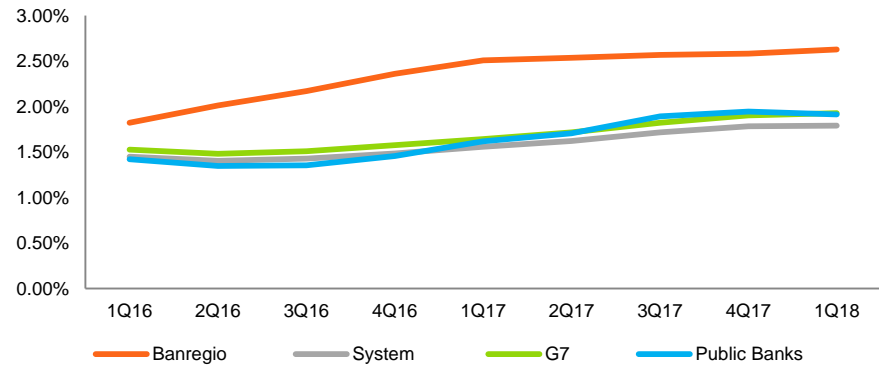
Financial Information

Banregio vs Financial System

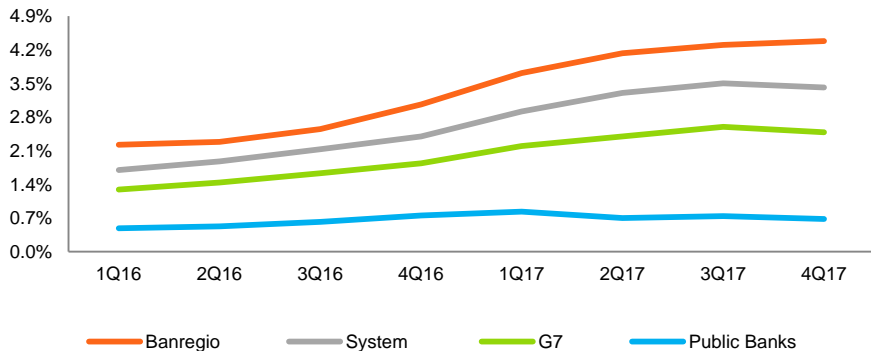
ROAE Financial Groups¹



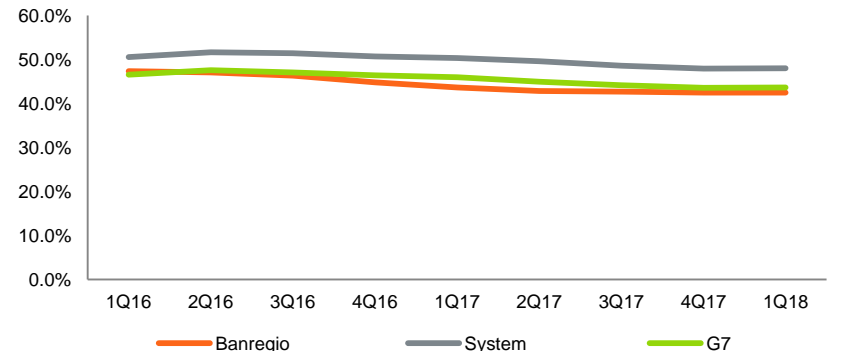
ROA Banks



Cost of Core Deposits Banks



Efficiency Ratio Financial Groups¹



Source: Capitalization Ratio as of August 2017. (1) CNBV and Banregio Grupo Financiero's analysis based on published financial statements by each Financial Group, G-7 Financial Groups: Banamex, Banorte, BBVA, HSBC, Inbursa, Santander, Scotiabank. Information as of 4Q18.

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Financial Information – Balance Sheet

	2Q17	3Q17	4Q17	1Q17	2Q18	YoY
Cash and Equivalents	6,602	7,292	8,341	7,220	10,059	52.4%
Securities Investment	6,433	12,632	8,256	8,971	5,079	(21.0%)
Performing loans	81,722	83,559	86,965	87,921	89,286	9.3%
Commercial	70,703	72,004	74,935	75,561	76,328	8.0%
Business Loans	70,087	71,275	74,158	74,939	75,703	8.0%
Financial entities	541	686	717	542	571	5.5%
Government entities	75	43	60	80	54	(28.0%)
Consumer	2,451	2,619	2,760	2,892	3,140	28.1%
Mortgage	8,568	8,936	9,270	9,468	9,818	14.6%
Non Performing loans	1,397	1,482	1,463	1,627	1,709	22.3%
Commercial	1,191	1,266	1,234	1,385	1,466	23.1%
Consumer	39	48	48	51	51	30.8%
Mortgage	166	167	180	190	191	15.1%
Provisions	(1,926)	(2,034)	(2,042)	(2,066)	(2,075)	7.7%
Operational Leasing	4,276	4,345	4,948	4,925	5,099	19.2%
Other assets ¹	4,703	4,833	5,034	4,906	5,574	19.0%
Total Assets	103,207	112,109	112,965	113,504	114,731	11.2%

June 2018.

(1) Other receivable (net); Repossessed Assets; Real estate, furniture and equipment (net); Permanent investment in shares; Deferred Tax (net) and Other assets, deferred charges and intangibles.

Financial Information – Balance Sheet

	2Q17	3Q17	4Q17	1Q18	2Q18	YoY
Core Deposits	70,669	72,177	78,539	78,609	83,467	18.1%
Demand deposits	31,872	31,819	32,971	30,971	33,474	5.0%
Time deposits	38,797	40,358	45,568	47,638	49,993	28.9%
Commercial Paper (Cebures)	1,728	1,595	1,335	1,176	864	(50.0%)
Development banks	8,109	7,759	8,703	7,951	7,780	(4.1%)
Repurchase agreements	5,393	12,570	5,361	6,124	3,003	(44.3%)
Other liabilities¹	3,530	3,598	3,624	4,601	3,674	(20.1%)
Total Liabilities	89,429	97,699	97,562	98,461	98,788	10.5%
Total Stockholder's Equity	13,778	14,410	15,403	15,053	15,943	15.7%
Stockholder's Equity + Liabilities	103,207	112,109	112,965	113,504	114,731	11.2%

Financial Information – Quaterly Income Statement

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Interest Income	2,803	3,209	3,384	20.7%	5.5%
Interest expenses	(1,291)	(1,559)	(1,696)	31.4%	8.8%
Financial Margin	1,512	1,650	1,688	11.6%	2.3%
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Commissions and fees	154	147	171	10.8%	16.3%
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Financial Information – Financial Ratios

Last Twelve Months (LTM)	2Q17	3Q17	4Q17	1Q18	2Q18
Net Interest Margin (NIM) ⁽¹⁾	6.0%	6.1%	6.3%	6.4%	6.4%
Net Interest Margin (NIM) of Total Loans ⁽²⁾	6.7%	6.8%	6.8%	6.8%	6.8%
Return on Equity (ROAE) ⁽³⁾	20.1%	20.1%	19.6%	19.8%	20.3%
Return on Assets (ROAA) ⁽⁴⁾	2.5%	2.6%	2.6%	2.6%	2.7%
Return on Assets (ROAA) of Total Loans ⁽⁵⁾	2.8%	2.8%	2.8%	2.8%	2.8%
Efficiency Ratio ⁽⁶⁾	42.8%	42.7%	42.4%	42.5%	42.5%
Loan to Deposits ⁽⁷⁾	117.6%	117.8%	112.6%	113.9%	109.0%
Coverage Ratio ⁽⁸⁾	137.9%	137.2%	139.6%	127.0%	121.4%
Cost of Credit ⁽⁹⁾	0.9%	0.8%	0.8%	0.8%	0.7%
Cost of Funding ⁽¹⁰⁾	4.1%	4.4%	4.4%	4.7%	4.9%

- 1) Net interest NIM: Financial Margin of last 4 quarters / Average productive assets of the last 12 months.
- 2) Net Margin (NIM) of Total Loans: (Financial margin of last 4 quarters (-) income by repos of last 4 quarters / Average productive assets of last 12 months. (-) average balance of repos LTM).
- 3) Return on Average Equity (ROAE): Net income of last 4 quarters / Average stockholders' equity of last 4 quarters.
- 4) Return on Average Assets (ROAA): Net income of last 4 quarters / Average total assets of last 4 quarters.
- 5) Return on Average Assets (ROAA) of Total Loans: (Net income of last 4 quarters / (Average total assets of last 4 quarters (-) average balance of repos or last 4 quarters))
- 6) Efficiency Ratio: Administration and promotion expenses of last 4 quarters / (Financial Margin + Commissions + Trading + Other Income) of last 4 quarters.
- 7) Loan to Deposits: Loan portfolio at the end of the quarter / Core deposits at the end of the quarter.
- 8) Coverage Ratio: Allowances to possible loan losses at the end of the quarter / Non performing loans at the end of the quarter.
- 9) Cost of Credit: Loan losses provision of last 4 quarters/ Average total loans of last 4 quarters
- 10) Consolidated cost of funding of local and foreign currency.

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